

COPY

-Application

Baby +

Company

CN1501-003

BUTLER | SNOW

January 15, 2015

VIA HAND DELIVERY

Melanie M. Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Baby + Company Nashville, Certificate of Need Application

Dear Ms. Hill:

I am enclosing the original and two (2) copies the certificate of need application referenced above, along with a check in amount of \$4,670 for the filing fee.

The enclosed application is for the relocation of a facility that was approved by the Agency in September. The scope of the project has not changed, and the distance between the original location and the proposed location is only about 1.5 miles. Under the circumstances, we respectfully request that this application be placed on the consent calendar.

Thank you for your attention to this matter.

Very truly yours,

BUTLER SNOW LLP



Dan H. Elrod

clw
Enclosures

*The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201*

DAN H. ELROD
615.651.6702
dan.elrod@butlersnow.com

T 615.651.6700
F 615.651.6701
www.butlersnow.com

JAN 15 15:01:03

Certificate of Need Application

Submitted to the Tennessee Health Services and
Development Agency by

Baby + Company Nashville

January 15, 2015

2020-05-15 15:40:00

1. **Name of Facility, Agency, or Institution**

Baby + Company Nashville
Name
3212 West End Avenue
Street or Route
Davidson
County
Nashville
City
Tennessee
State
37203
Zip Code

2. **Contact Person Available for Responses to Questions**

Dan Elrod
Name
Attorney
Title
Butler Snow LLP
Company Name
dan.elrod@butlersnow.com
Email address
150 3rd Avenue South, Suite 1600
Street or Route
Nashville
City
TN
State
37201
Zip Code
Attorney
Association with Owner
(615) 651-6702
Phone Number
(615) 651-6701
Fax Number

3. **Owner of the Facility, Agency or Institution**

Baby + Company Nashville 1 LLC
Name
(479) 877-9579
Phone Number
509 New Waverly Place, Suite 210
Street or Route
Wake
County
Cary
City
NC
State
27519
Zip Code

See Attachment A, Item 3

4. **Type of Ownership of Control (Check One)**

- | | | | |
|---------------------------------|-------|--|----------|
| A. Sole Proprietorship | _____ | F. Government (State of TN or Political Subdivision) | _____ |
| B. Partnership | _____ | G. Joint Venture | _____ |
| C. Limited Partnership | _____ | H. Limited Liability Company | <u>X</u> |
| D. Corporation (For Profit) | _____ | I. Other (Specify) _____ | _____ |
| E. Corporation (Not-for-Profit) | _____ | | |

See Attachment A, Item 4

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. **Name of Management/Operating Entity (If Applicable)**

Name _____

Street or Route _____

County _____

City _____

State _____

Zip Code _____

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

A. Ownership _____

D. Option to Lease _____

B. Option to Purchase _____

E. Other (Specify) Lease _____

X

C. Lease of _____ Years _____

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

See Attachment A, Item 6

7. **Type of Institution (Check as appropriate--more than one response may apply)**

A. Hospital (Specify) _____

H. Nursing Home _____

B. Ambulatory Surgical Treatment
Center (ASTC), Multi-Specialty _____

I. Outpatient Diagnostic Center _____

C. ASTC, Single Specialty _____

J. Rehabilitation Facility _____

D. Home Health Agency _____

K. Residential Hospice _____

E. Hospice _____

L. Nonresidential _____

F. Mental Health Hospital _____

Substitution-Based Treatment _____

G. Intellectual Disability _____

Center for Opiate Addiction _____

Institutional Habilitation Facility _____

M. Birthing Center X

(IDIHF) (ICF/IID formerly _____

N. Other Outpatient Facility _____

(ICF/MR) _____

O. Other (Specify) _____

8. **Purpose of Review (Check as appropriate--more than one response may apply)**

A. New Institution _____

G. Change in Bed Complement _____

B. Replacement/Existing Facility _____

[Please note the type of change

C. Modification/Existing Facility _____

by underlining the appropriate

D. Initiation of Health Care _____

response: Increase, Decrease,

Service as defined in TCA §

Designation, Distribution,

68-11-1607(4)

Conversion, Relocation] _____

(Specify) _____

H. Change of Location X

E. Discontinuance of OB Services _____

I. Other (Specify) _____

F. Acquisition of Equipment _____

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility - SNF (Medicare only)	_____	_____	_____	_____	_____
M. Nursing Facility – NF (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility – SNF/NF (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
O. Nursing Facility – Licensed (non-Certified)	_____	_____	_____	_____	_____
P. IDIHF	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____	_____

*CON-Beds approved but not yet in service

10. **Medicare Provider Number** _____
Certification Type _____

11. **Medicaid Provider Number** Will be applied for
Certification Type Birthing Center

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**
 X Yes – The facility will apply for Medicaid certification
 No
 NA

13. **Will this project involve the treatment of TennCare participants?** Yes; all MCOs serving Middle Tennessee. TennCare MCOs serving Nashville are United Healthcare Community Group, Amerigroup, and TennCare Select.

NOTE: **Section B** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility, staffing, and how the project will contribute to the orderly development of adequate and effective healthcare.

Response: The applicant seeks approval to relocate the birthing center approved by the Agency in CN1406-022. The original location in CN1406-022 is 2106 21st Avenue. This location was the subject of a letter of intent executed by the applicant and the property owner. However, after approval of the original application by the Agency on September 24, 2014, the applicant identified a superior site that is more spacious, offers better parking and is conveniently located to Vanderbilt University Medical Center ("VUMC"). If approved, the relocated birthing center will be in approximately 7,800 sq. ft. of leased space at 3212 West End Avenue, approximately 1.5 miles from the original location.

The building in which the proposed birthing center will be located was constructed in 1984. It is a 5-story building zoned as ORI with overlay district OV-UZO, which will accommodate birthing center occupancy. The history of use of the building is commercial mixed use, with the current tenants being of the same (specifically, in the areas of dentistry, engineering and general business). The space to accommodate the proposed birthing center was previously an Outback Steakhouse. The applicant will be able to undertake necessary renovations if the certificate of need is granted.

The proposed facility, like the originally approved facility, will be staffed by nurse midwives and a medical director through a professional services agreement with VUMC. The birthing center model is based on the concept that childbearing is a normal physiologic process, and that mothers with low risk of complications can safely deliver in home-like setting on an outpatient basis. In addition to obstetrical care, the facility will also provide pre-conception and fertility counseling, pre-natal exams and after-birth follow up. The facility will provide educational classes in subjects such as birth preparation and breastfeeding.

The facility will consist of 4 birthing suites, 3 examination rooms, a laboratory, a sterilization room, two classrooms, a family room/kitchen and various support areas. The applicant intends to convert one of the classrooms to a 5th birthing suite when demand for services justifies such conversion. Each of the birthing suites will be equipped with a birthing tub. Physical facilities and amenities will be home-like and comfortable for patients and their

families. The facility will be located in close proximity (less than 1.5 miles) to VUMC, thus assuring the timely transport of the rare patients who require hospital care. See Attachment B, I (Map to VUMC).

The applicant is a wholly-owned subsidiary of Maternity Centers of America ("MCA") based in Cary, North Carolina. MCA is led by Dr. Cara Osborne. Dr. Osborne's education includes an MSN in Midwifery from the Vanderbilt School of Nursing and MS and ScD degrees in maternal and child health from Harvard. She is nationally known as an educator and leader in the fields of midwifery and birth centers.

MCA currently operates birthing centers in Rogers, AR and Cary, NC, and it has facilities under development in Denver, CO and Charlotte, NC.

The service area for the facility is Davidson County. Given the outpatient nature of the service, the applicant expects that at least 80% of its patients will be Davidson County residents

The need for the relocation is based on the applicant's identification of a superior site that offers increased space and better parking. The need of the proposed birthing center itself was established by the Agency approval of CN1406-022.

The total project cost is \$2,075,441, which includes the fair market value of the portion of the building applicant will lease. Actual capital outlay for construction and equipment and certificate of need process is approximately \$949,670. The initial capital outlay and working capital will be provided by MCA and its investor/owner.

As indicated in the Projected Data Chart, the facility will achieve a positive financial result in the first full year of operation. All midwife staffing will be provided by VUMC through a contract, and the facility will employ 3.4 RN FTEs.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.
- A. For the establishment or modification of a healthcare institution describe the development of and need for the proposal. Health care institutions include:
1. Nursing home
 2. Hospital
 3. Ambulatory Surgical Treatment Center
 4. Birthing Center
 5. Mental Health Hospital
 6. Intellectual Disability Institutional Habilitation Facility
 7. Home Care Organization (Home Health Agency or Hospice Agency)
 8. Outpatient Diagnostic Center
 9. Rehabilitation Facility
 10. Residential Hospice
 11. Nonresidential Substitution-based Treatment Center for Opiate Addition

Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applications with construction, modification and/or renovation costs should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

Response: The project will require the remodel and conversion of approximately 7,800 sq. ft. of leased space. The facility includes 4 birthing suites, all of which will be equipped with a birthing tub, 3 examination rooms, a sterilization room, a laboratory, a kitchen and lounge area for families, two classrooms (one of which the applicant intends to convert to a 5th birthing suite when demand for services justifies such conversion), various support areas, accessible restrooms, storage, utility and entry lobby spaces. The construction cost for the project is approximately \$89.13 per sq. ft. A letter from the project architect at Attachment C, Economic Feasibility-1(Architect Letter) confirms the reasonableness of the project cost. The design of the birthing center will conform to the 2010 AIA Guidelines for Design and Construction of Healthcare Facilities (or more recent version if available).

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services. *Response: Not applicable.*

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Birth Rooms				1766	1766 net		1766 net	100		176,600
Public Restrooms				112	112 net		112 net	114		12,768
Family Area / Kitchen				875	875 net		875 net	121		105,875
Sterilization / Lab				155	155 net		155 net	82		12,710
Nurses Station/ Office/Staff/ Family				693	693 net		693 net	80		55,440
Classroom				744	744 net		744 net	80		59,520
Storage				249	249 net		249 net	75		18,675
Exam Rooms				324	324 net		324 net	82		26,568
Utility Space				252	252 net		252 net	80		20,160
Circulation				1930	1930 net		1930 net	80		154,400
B. Unit/Depart. NSF Sub-Total				7100 NSF						\$642,716
C. Mechanical/ Electrical GSF										
D. Patio/ Structure GSF				700 GSF				75		\$52,500
E. Total GSF				7800 GSF				89.13/SF		\$695,216

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Hospital-Based Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Burn Units
4. Cardiac Catheterization Services
5. Child and Adolescent Psychiatric Services
6. Extracorporeal Lithotripsy
7. Home Health Services
8. Hospice Services
9. Magnetic Resonance Imaging (MRI)
10. Neonatal Intensive Care Unit
11. Opiate Addiction Treatment provided through a Non-Residential Substitution-Based Treatment Center for Opiate Addiction
12. Open Heart Surgery
13. Positron Emission Tomography
14. Radiation Therapy/Linear Accelerator
15. Rehabilitation Services
16. Swing Beds
17. Discontinuation of any obstetrical or maternity service
18. Closure of a Critical Access Hospital
19. Elimination in a critical access hospital of any service for which a certificate of need is required

Response: Not applicable

D. Describe the need to change location or replace an existing facility.

Response: The applicant needs to relocate as the result of its identification of a superior site that is more spacious than the original location and offers better parking.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Brief description of equipment including characteristics such as fixed or mobile; expected vendor and model (if known); for MRI use descriptors such as Tesla strength, open/closed bore; for linear accelerators use descriptors such as MeV strength, IMRT/IGRT/SRS capability; etc.;
2. Total cost (As defined by Agency Rule 0720-9-.01(13))
 - a. By Purchase or
 - b. By Lease;
3. Expected useful life;
4. List of clinical applications to be provided;

5. Documentation of FDA approval; and
 6. For mobile major medical equipment list all sites that the unit is currently serving and its current schedule of operations at those sites.
- b. Provide current and proposed schedules of operations.

Response: Not applicable

2. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

Response: Not applicable

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must** include:

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

See Attachment B, III.(A).

- (B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients. ***(Not applicable to home health or hospice agency applications.)***

Response: The proposed site is located on a major thoroughfare that is serviced by a Nashville Metro Transit Authority bus route that stops near the location approximately every twenty minutes. The proposed site sits approximately one-half mile northeast of Interstate 440 and less than 1.5 miles southwest of VUMC. As a result of its location on a major thoroughfare, the proposed site will be very accessible to patients and clients.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper. ***(Not applicable to home health or hospice agency applications.)***

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

See Attachment B, IV.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth, if applicable.
 - a. Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan. Please list each principle and follow it with a response.

Response:

Healthy Lives

This project promotes maternal and newborn health by providing a safe, cost-effective, comfortable option for low-risk mothers. A study in 2013 based on data from 79 birthing centers in 33 states showed that only 6% of women who planned deliveries at a birth center were transferred to a hospital for a cesarean section; only 1.9% of mothers or newborns required emergent transfer during labor or after birth; and there were no maternal deaths. "Outcomes of Care in Birth Centers: Demonstration of a Durable Model," Journal of Midwifery & Women's Health, Vol.58, No.1, January/February 2013.

Access to Care

The birthing center model currently does not exist in Nashville, with the closet birthing center located about 75 miles away. This project will make the birthing center alternative

available to low-risk mothers in the Nashville area. The new location for the facility will be as accessible to patients as the original location.

The applicant intends to contract with all TennCare MCOs in the area, thus assuring access to the facility by low-income mothers. Section 2301 of the Patient Protection and Affordable Care Act requires Medicaid plans to reimburse for services in a licensed birthing center. The applicant understands that TennCare MCO plans already include the existing birthing centers in the state of their networks. In light of the fact that there are currently no birthing centers in the Nashville area, and in light of section 2301 of the PPACA, the applicant is confident that it will be included in all TennCare plans covering enrollees in Middle Tennessee, including those that may be offered in 2015 and subsequent years. The applicant has been in contact with the TennCare plans currently serving Middle Tennessee, and the applicant intends to pursue contract negotiations with these plans.

Economic Efficiencies

As demonstrated in the application for the original facility, the birthing center model is a cost-effective alternative to hospital-based care for low-risk mothers. The average charge for low-risk deliveries in 2012 at the Nashville hospitals for which the Department of Health has data was \$11,687. These charges do not include the professional services.

According to a report in January 2013 by Truven Health Analytics, The Cost of Having a Baby in the United States, in 2010, the national average charge for physician services related to vaginal deliveries (anesthesia and delivery) totaled \$8,414.

The applicant's global charge for all services is projected to be \$9,000.

Quality of Care

Quality of care in the proposed facility is assured. Midwife staffing and the Medical Director will be provided by VUMC pursuant to a Professional Services Agreement. See Attachment C, Need-1.a. The facility plans to qualify for accreditation by the Commission on the Accreditation of Birth Centers, as is MCA's center in Rogers, AR.

Health Care Workforce

The facility will support the development of Certified Nurse Midwives by offering a facility in which deliveries are handled by Certified Nurse Midwives. In addition, the facility will enter into a clinical affiliation agreement with Vanderbilt University School of Nursing, pursuant to which the facility will be a site for clinical training. The applicant is open to working with other schools of nursing for use of the facility as a training site. The applicant believes that the clinical staff at other Birthing Centers will have already been properly trained in order to comply with licensing and accreditation standards. The applicant, however, will invite clinical staff from other Birthing Centers to participate in continuing education programs at the proposed facility.

- b. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9 of the Guidelines for Growth) here.

Response: See Change of Site discussion below.

- c. Applications that include a Change of Site for a proposed new health care institution (one having an outstanding and unimplemented CON), provide a response to General Criterion and Standards (4)(a-c) of the Guidelines for Growth.

Responses to the criteria in the Guidelines for Growth applicable to Change of Site are as follows:

- a) *Need.* The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

Response: The service area for the facility will remain Davidson County, and the applicant continues to expect that at least 80% of its patients will be Davidson County patients. Similar to the previously approved site, the proposed new site is located on a major thoroughfare that is serviced by a Nashville Metro Transit Authority bus route that stops near the location approximately every 20 minutes. As a result of its location on a major thoroughfare, the proposed site will be very accessible to patients and clients. The proposed new site is just as convenient to Vanderbilt University and Interstate 440 as the original site.

The need to relocate is due to the unavailability of the original site.

- b) *Economic factors.* The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

Response: The proposed new site will be similarly economically beneficial to the population to be served as the original site. As demonstrated elsewhere in the application, the birthing center model is a cost-effective alternative to hospital-based care for low-risk mothers. The average charge for low-risk delivers in 2012 at the Nashville hospitals for which the Department of Health has data was \$11,687, and these charges do not include the professional services as noted above. The applicant's global charge for all services is projected to be \$9,000. The global charge projected in the application is greater than the \$7,500 global charge projected in the original application. The projected increase in charges is due to the applicant's experience with its other facilities and a recognition that staff costs, including benefits, will be higher than originally anticipated. A global charge of \$9,000 remains substantially less than hospital-based charges, particularly when professional fees are taken into account.

- c) *Contribution to the Orderly Development of Health Care Facilities and/or Services.* The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

Response: The only known delay at this time is that resulting from the change in location of the Birthing Center. The original site's timeline for completion had a completion date of April 2015; whereas, the new site's timeline for completion has a completion date of October 2015. The only other potential delay at this time would be delays resulting from negotiations with the landlord of the proposed new site.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response: As expressed in the application for the original facility, Maternity Centers of America has a long-range plan of providing the birthing center option for low-risk mothers in as many markets as possible in the U.S. In developing new birthing centers, MCA will seek collaboration with existing hospital-based obstetrical services, consistent with its vision that birthing centers are complementary to hospital-based services. The relocation proposed in this appreciation will contribute to MCA's long-range plans.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

Response: The applicant considers Davidson County as its primary service area. In light of the outpatient nature of birthing center services, the applicant expects that at least 80% of its patients will be Davidson County residents.

See Attachment C, Need - 3.

4. A. 1) Describe the demographics of the population to be served by this proposal.

Response: The demographic characteristics of Davidson County are described on Attachment C, Need - 4.A.(1).

- 2) Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area:

Response: The service area for the project is Davidson County, and the target population is Females Age 15-44.

Demographic Variable/ Geographic Area	Service Area Total	State of TN Total
Total Population – Current Year	663,151	6,649,438
Total Population – Projected Year	676,131	6,772,022
Total Population - % change	1.96%	1.84%
*Target Population – Current Year (2015)	148,468	1,306,684
*Target Population – Projected Year (2017)	148,162	1,317,765
Target Population - % Change	(.21%)	.85%
Target Population – Projected Year as % of Total	21.9%	19.5%
Median Age	33.9	38
Median Household Income	\$46,676	\$44,140
TennCare Enrollees	120,575	1,207,604
TennCare Enrollees as % of Total	18.37%	18.33%
Persons Below Poverty Level	115,935	1,097,876
Persons Below Poverty Level as % of Total	18.5%	17.3%

Sources: Department of Health Population data; Bureau of TennCare enrollee data; US Census demographic data

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: The focus of the project will be low-risk mothers. The applicant expects to be contracted with all TennCare MCOs that operated in Middle Tennessee, and the facility will be accessible to low income women.

The following table is provided in anticipation that the Agency would like to consider in its review of this application the total eligible female population and total number of births to female residents of the 5-county service area during the most recent four years that birth data is available.

Year	Female Population age 15-44	Births to Female Residents ages 15-44
2010	147,746	9,557
2011	148,719	9,601
2012	148,795	9,721
2013	148,927	9,911
% Change	.8%	3.6%

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. Projects including surgery should report the number of cases and the average number of procedures per case.

Response: All current obstetrical services in Nashville are in hospitals. There follows a chart of Nashville hospitals providing obstetrical service with the number of live births reported by the hospitals in their JARs for the past 3 years.

Nashville Hospitals With Obstetrical Service	<u>Live Births from JARs</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
St. Thomas Midtown	6,092	6,522	6,879
Nashville General	543	689	680
Vanderbilt	4,554	4,246	3,843
Centennial Medical Center	3,137	2,998	2,613
Summit Medical Center	1,194	1,112	1,192

The following table is provided in anticipation that the Agency would like to consider in its review of this application the total number of hospital OB beds in service and their occupancy.

Hospital OB Capacity and Utilization in Davidson County, 2010 - 2013

	2013	2012	2011	2010
--	------	------	------	------

# births by female residents of county age 15-44	9,911	9,721	9,601	9,557
Total # births reported by Davidson County hospitals (JAR)	15,520	15,567	15,207	15,042
# births at hospitals classified as vaginal deliveries	9,724	9,766	9,365	9,102
Total hospital OB beds set up and staffed (Post-Partum and LDRP rooms)	170	167	167	149
OB Bed occupancy*	82.6%	82.9%	81.6%	95.3%

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization through the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: The applicant projects a total of 345 cases the first year of operation and 480 cases the second full year. Based on the significant unmet demand for the birth center option and the project's relationship with VUMC, these projections are easily achievable. Relocation of the facility will not change expected utilization.

For the purposes of presenting a conservative projection, the applicant has assumed an extended ramp up period extending well into the first full year of operation. This has the effect of causing the projection for the 2nd full year to appear to be a significant increase. As discussed in the original application and in this application, the volume projection are easily attainable based on the demand for Birthing Center option, the mandated coverage under PPACA, the number of potential patients and the cost and health benefits associated with the Birthing Center model.

ECONOMIC FEASIBILITY

- Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
 - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Response: The fair market value of the portion of the building allocable to the applicant is \$1,130,441. The applicant will occupy 23.17% of the building (7,800/33,664 sq. ft.). Per the letter from the building owner (Attachment C, Economic Feasibility – 1 (Building FMV)), the current fair market value of the entire building is \$4,878,900. The aggregate lease payments for the initial 5-year term of the lease will be \$942,985. As the fair market value is greater than the aggregate lease payments to be made over the next five years, the proportional value is used as building cost for the certificate of need application.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Please provide a letter that includes:
 - 1) a general description of the project;
 - 2) estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements; and
 - 3) attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the most recent AIA Guidelines for Design and Construction of Hospital and Health Care Facilities.

Response: See architect letter attached under Attachment C, Economic Feasibility – 1(Architect Letter).

PROJECT COSTS CHART

JAN 15 15 04 105

A. Construction and equipment acquired by purchase:		
1.	Architectural and engineering Fees	<u>\$45,000.00</u>
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	<u>\$25,000.00</u>
3.	Acquisition of Site	<u> </u>
4.	Preparation of Site	<u> </u>
5.	Construction Costs	<u>\$695,000.00</u>
6.	Contingency Fund	<u> </u>
7.	Fixed Equipment (Not included in Construction Contract)	<u>\$130,000.00</u>
8.	Moveable Equipment (List all equipment over \$50,000)	<u>\$50,000.00</u>
9.	Other (Specify) _____	<u> </u>
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land)	<u>\$1,130,441.00</u>
2.	Building only	<u> </u>
3.	Land only	<u> </u>
4.	Equipment (Specify) _____	<u> </u>
5.	Other (Specify) _____	<u> </u>
C. Financing Costs and Fees		
1.	Interim Financing	<u> </u>
2.	Underwriting Costs	<u> </u>
3.	Reserve for One Year's Debt Service	<u> </u>
4.	Other (Specify) _____	<u> </u>
D.	Estimated Projected Cost (A+B+C)	<u>\$2,075,441.00</u>
E.	CON Filing Fee	<u>\$4,670.00</u>
F.	Total Estimated Project Cost (D+E)	<u>2,080,111.00</u>
	TOTAL	<u>2,080,111.00</u>

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (**Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.**)

- ☐ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☒ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F. Other—Identify and document funding from all other sources.

See funding confirmation at Attachment C, Economic Feasibility- 2.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response: The reasonableness of the construction cost is confirmed by the letter from the project architect (Attachment C, Economic Feasibility-1(Architect Letter)). The most recent birthing center project approved by the Agency was submitted by the applicant for the same project at another site, CN1406-022. The construction cost involved in the project at the original site was \$103.24 per sq. ft. Prior to that, the most recent birthing center project approved by the Agency was Infinity Birthing Center, CN0705-042, in Cookeville. The construction cost involved in that project was \$121.50 per sq. ft., so the construction cost for the project in this application (\$89.13 per sq. ft.) compares favorably. By way of additional comparison, the median cost for hospital renovation construction in certificate of need applications 2011-2013 is \$179.00 per sq. ft.

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three* (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should

also include any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response: The gross charge for labor and delivery is projected to be \$9,000, the average deduction is projected to be \$4,320 and the average net payment is projected to be \$4,680. This is a global charge and includes all services provided in connection with a labor and delivery case.

HISTORICAL DATA CHART

Give information for the last *three* (3) years for which complete data are available for the facility or agency. The fiscal year begins in _____ (Month).

	Year_____	Year_____	Year_____
A. Utilization Data (Specify unit of measure)	_____	_____	_____
B. Revenue from Services to Patients			
1. Inpatient Services	\$ _____	\$ _____	\$ _____
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue (Specify) _____	_____	_____	_____
Gross Operating Revenue	\$ _____	\$ _____	\$ _____
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$ _____	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
Total Deductions	\$ _____	\$ _____	\$ _____
NET OPERATING REVENUE	\$ _____	\$ _____	\$ _____
D. Operating Expenses			
1. Salaries and Wages	\$ _____	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Taxes	_____	_____	_____
5. Depreciation	_____	_____	_____
6. Rent	_____	_____	_____
7. Interest, other than Capital	_____	_____	_____
8. Management Fees:			
a. Fees to Affiliates	_____	_____	_____
b. Fees to Non-Affiliates	_____	_____	_____
9. Other Expenses – Specify on Page 23	_____	_____	_____
Total Operating Expenses	\$ _____	\$ _____	\$ _____
E. Other Revenue (Expenses) – Net (Specify) _____	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS)	\$ _____	\$ _____	\$ _____
F. Capital Expenditures			
1. Retirement of Principal	\$ _____	\$ _____	\$ _____
2. Interest	_____	_____	_____
Total Capital Expenditures	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	\$ _____	\$ _____	\$ _____

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year <u>2016</u>	Year <u>2017</u>
A. Utilization Data (Specify unit of measure)	<u>345</u>	<u>480</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u> </u>	<u> </u>
2. Outpatient Services	<u>\$3,105,000</u>	<u>\$4,320,000</u>
3. Emergency Services	<u> </u>	<u> </u>
4. Other Operating Revenue (Specify) <u>Retail, Classes, Drugs</u>	<u>\$235,942</u>	<u>\$360,534</u>
Gross Operating Revenue	<u>\$3,340,942</u>	<u>\$4,680,534</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$1,043,402</u>	<u>\$1,451,690</u>
2. Provision for Charity Care	<u>\$372,644</u>	<u>\$518,461</u>
3. Provisions for Bad Debt	<u>\$74,529</u>	<u>\$103,692</u>
Total Deductions	<u>\$1,490,574</u>	<u>\$2,073,842</u>
NET OPERATING REVENUE	<u>\$1,850,368</u>	<u>\$2,606,692</u>
D. Operating Expenses		
1. Salaries and Wages	<u>\$410,212</u>	<u>\$446,076</u>
2. Physician's Salaries and Wages	<u> </u>	<u> </u>
3. Supplies	<u>\$234,610</u>	<u>\$389,251</u>
4. Taxes	<u> </u>	<u> </u>
5. Depreciation	<u>\$917</u>	<u>\$2,017</u>
6. Rent	<u>\$203,970</u>	<u>\$209,170</u>
7. Interest, other than Capital	<u> </u>	<u> </u>
8. Management Fees		
a. Fees to Affiliates	<u> </u>	<u> </u>
b. Fees to Non-Affiliates	<u> </u>	<u> </u>
9. Other Expenses – Detail on Following Page	<u>\$896,096</u>	<u>\$893,946</u>
Total Operating Expenses	<u>\$1,745,805</u>	<u>\$1,940,459</u>
E. Other Revenue (Expenses) – Net (Specify) _____	<u> </u>	<u> </u>
NET OPERATING INCOME (LOSS)	<u>\$104,563</u>	<u>\$666,233</u>
F. Capital Expenditures		
1. Retirement of Principal	<u> </u>	<u> </u>
2. Interest	<u> </u>	<u> </u>
Total Capital Expenditures	<u> </u>	<u> </u>
NET OPERATING INCOME (LOSS)	<u> </u>	<u> </u>
LESS CAPITAL EXPENDITURES	<u> </u>	<u> </u>

HISTORAL DATA CHART – OTHER EXPENSES

OTHER EXPENSES CATEGORIES

	Year _____	Year _____	Year _____
1.	\$ _____	\$ _____	\$ _____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
Total Other Expenses	\$ _____	\$ _____	\$ _____

PROJECTED DATA CHART – OTHER EXPENSES

OTHER EXPENSES CATEGORIES

	Year 2016	Year 2017
1. Payments to Vanderbilt for Professional Services	<u>\$744,250</u>	<u>\$744,250</u>
2. Payments to Vanderbilt for Clinical Management Services	<u>\$49,363</u>	<u>\$48,313</u>
3. Miscellaneous (marketing, accounting, utilities, etc.)	<u>\$102,483</u>	<u>\$101,343</u>
Total Other Expenses	<u>\$896,096</u>	<u>\$893,946</u>

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response: The applicant's projected charge for a labor and delivery case will be \$9,000, which will cover all services provided in connection with a delivery.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: The only source that the applicant has been able to identify for obstetrical charges is the 2012 Tennessee Hospital Discharge Data Report created by the Tennessee Department of Health. This report shows charge data for various DRGs classified by severity under the categories of "minor", "moderate" and "major". In the case of Vaginal Delivery (DRG 560), the applicant believes the category of "minor" includes the low-risk birth cases that it will serve. The charge data from the Report for Nashville hospitals for DRG 560 in the minor category are as follows:

Nashville General - \$5,836

St. Thomas Midtown - \$12,885

Vanderbilt University Hospital - \$10,548

TriStar Centennial Medical Center - \$16,188

TriStar Summit Medical Center - \$12,976

The applicant's proposed global charge for a delivery is \$9,000. It should be noted that this is global charge, including services provided in connection with a delivery. The hospital charges do not include professional charges or newborn charges. As noted above, in 2010, the national average of charges for physician services related to a vaginal delivery was \$8,414. Professional charges are included in the applicant's proposed global charge of \$9,000.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness; how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: As indicated in the Projected Data Chart, the project will achieve positive financial results in the first full year, and the applicant has the resources to sustain the facility until results are positive.

8. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response: The facility will use its best efforts to contract with all TennCare MCOs serving Middle Tennessee. The projected TennCare gross revenue in year 1 is \$776,250 and in year

2, \$1,080,000. In light of the services to be provided, the facility will not serve Medicare patients.

The applicant expects the payor mix for both years to be as follows:

TennCare – 30%
Commercial Insurance – 46%
Self-pay – 11%
Charity/Bad Debt – 13%

The applicant expects the growth in year 2 to be essentially spread evenly across all payor categories.

9. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-9.

Response: The applicant has just been created and has no financial history. Maternity Centers of America does not have an audited financial statement, but its balance sheet and income statement as of August 31, 2014, is at Attachment C, Economic Feasibility -9.

The applicant has also provided in Attachment C, Economic Feasibility -9 an unaudited balance sheet as of November 30, 2014 of its private equity investor, Fortress Equity Partners, which is an investment fund, managed by an affiliate of Fortress Investment Group LLC, a large, publicly traded asset management firm with substantial assets. FEP does not prepare any public financial statements; however, in addition to the unaudited statement, applicant has provided under Attachment C, Economic Feasibility -9 an excerpt from the 2013 audited financial statement for Fortress Investment Group LLC, set forth in its 10k filing with the Securities and Exchange Commission.

10. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response: There is no alternative to provide the benefits of a birthing center other than to establish such a facility as proposed by this application.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: The use of leased space for the project is the most cost-effective alternative for a birthing center in close proximity to VUMC, which the applicant believes is advantageous. The collaboration with VUMC with regard to midwife staffing and medical

directorship, in the applicant's judgment, is clearly superior to the alternative of the applicant attempting to employ its own midwives and identify a medical director.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response: The applicant will have an agreement with VUMC under which VUMC will provide nurse midwife staffing and a medical director. See Attachment C, Need-1.a. In addition, the applicant will have a transfer agreement with VUMC. The applicant will enter into a clinical affiliation agreement with Vanderbilt University regarding clinical training and instruction of nursing students. The applicant plans to contract with all TennCare MCOs serving Middle Tennessee, i.e., United Healthcare Community Group, Amerigroup, and TennCare Select. The applicant will also seek contracts with major commercial insurers, including BlueCross BlueShield of Tennessee, Cigna, United Healthcare, Aetna and Humana.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: The project merely relocates a facility previously approved by the Agency. The relocation will not have any effect on the health care system.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response: The nurse midwife staff will be provided by VUMC under the contract previously described. The only clinical staff that will be employed are nurses. In the first year, the project will require a nursing staff of 1 full-time RN, and 2.4 RNs who will be on call to work as needed. Projected salaries and prevailing wages are as follows: 1 full-time nurse at \$46,000 per year and 2.4 nurses FTEs with each such nurse working an average of 32 hours per week at \$30/hour and \$5 per hour for time spent on call. The salary range for nurses in the service area is \$44,710 to \$68,600.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Substance Abuse Services, and/or the Department of Intellectual and Developmental Disabilities licensing requirements.

Response: The applicant's ability to obtain and maintain the midwife staff is assured through the professional services contract with VUMC. The nursing staff that is readily accessible in the local market.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation,

regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

Response: The applicant has reviewed and understands all applicable licensing and certification requirements for professional staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: The applicant plans to enter into a Clinical Affiliation Agreement with Vanderbilt University, so that the applicant's facility will be a site for the clinical training and instruction of students at the Vanderbilt School of Nursing.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Substance Abuse Services, the Department of Intellectual and Developmental Disabilities, and/or any applicable Medicare requirements.

Response: The applicant has reviewed and understands the licensure requirements of the Department of Health for Birthing Centers.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: *Response: Tennessee Department of Health*

Accreditation: *Response: Commission on the Accreditation of Birth Centers*

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: Not applicable.

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction. Please also discuss what measures the applicant has or will put in place to avoid being cited for similar deficiencies in the future.

Response: Not applicable.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response: Not applicable.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

Response: Not applicable.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response: The applicant will provide the Agency and the Department of Health with requested information regarding number of patients, number and types of procedures and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response: A full page from The Tennessean dated January 10, 2015, is attached immediately following this page.

NOTIFICATION REQUIREMENTS

**(Applies only to Nonresidential Substitution-Based
Treatment Centers for Opiate Addiction)**

Please note that Tennessee Code Annotated 68-11-1607(c)(3) states that "...Within ten (10) days of filing an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the member of the House of Representatives and the Senator of the General Assembly representing the district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution based treatment center for opiate addiction has been filed with the agency by the applicant."

Please provide this documentation.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.



Public Notices

Public Notices

0000257184

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

Baby + Company Nashville, a proposed Birthing Center owned by: Baby + Company Nashville 1 LLC with an ownership type of limited liability company intends to file an application for a Certificate of Need to relocate the Birthing Center originally approved by the Agency in CN1406-022 for leased space at 2106 21st Avenue, Nashville, TN 37212 to leased space at 3212 West End Avenue, Nashville, TN 37203. The facility will include 4 birthing suites, 3 examination rooms, and various support areas. The facility will occupy approximately 7,800 sq. ft. The project will not involve licensed beds, the acquisition of major medical equipment or the initiation of a health care service for which a certificate of need is required. The total project cost will be approximately \$2,080,111.00.

The anticipated date of filing the application is: January 15, 2015

The contact person for this project is Dan Elrod, Attorney, who may be reached at: Butler Snow LLP, 150 3rd Avenue South, Suite 1600, Nashville, TN 37201 615 / 651-6702

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building, 9th floor
502 Deaderick Street
Nashville, Tennessee 37243

(A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.

Form HF0004
Revised 08/01/2012
Previous Forms are obsolete

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): 9/24/2014

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

Agency projected Initial Decision date, as published in T.C.A. 68-11-1609

Phase	Days Required	Anticipated Date (Month/Year)
1. Architectural and engineering contract signed	30	Apr-15
2. Construction documents approved by the Tennessee Depart of Health	60	Apr-15
3. Construction contract signed	60	May-15
4. Building permit secured	90	Jun-15
5. Site preparation completed	90	Jun-15
6. Building construction commenced	90	Jul-15
7. Construction 40% complete	120	Aug-15
8. Construction 80% complete	150	Aug-15
9. Construction 100% complete (approved for occupancy)	180	Sep-15
10. *Issuance of license	180	Sep-15
11. *Issuance of service	180	Sep-15
12. Final Architectural Certification of Payment	210	Oct-15
13. Final Project Report Form (HF0055)	210	Oct-15

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

JAN 15 '15 PM 1:08

AFFIDAVIT

STATE OF Tennessee
COUNTY OF Davidson

Dan Elrod, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

[Signature]
SIGNATURE/TITLE

Sworn to and subscribed before me this 15th day of Jan, 2015 a Notary
(Month) (Year)

Public in and for the County/State of Tennessee.

Sharron C. Couch
NOTARY PUBLIC

My commission expires March 8, 2016
(Month/Day) (Year)



My Commission Expires MAR. 8, 2016

Attachment A, Item 3

Organizational Documents

JAN 15 '15 PM 1:07

Delaware

PAGE 1

The First State


I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "BABY+COMPANY NASHVILLE 1 LLC", FILED IN THIS OFFICE ON THE TWENTY-NINTH DAY OF MAY, A.D. 2014, AT 10:36 O'CLOCK P.M.



5542274 8100

140759084

You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 1414293

DATE: 05-31-14

State of Delaware
Secretary of State
Division of Corporations
Delivered 10:43 PM 05/29/2014
FILED 10:36 PM 05/29/2014
SRV 140759084 - 5542274 FILE

CERTIFICATE OF FORMATION

OF

Baby+Company Nashville 1 LLC

FIRST: The name of the limited liability company is Baby+Company Nashville 1 LLC.

SECOND: The address of its registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street Wilmington, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Formation this 29th day of May 2013.

By: Michael Torre
Name: Michael Torre
Title: Authorized Person

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "BABY+COMPANY NASHVILLE 1 LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE FIFTH DAY OF JANUARY, A.D. 2015.


AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE NOT BEEN ASSESSED TO DATE.

5542274 8300

150009401

You may verify this certificate online
at corp.delaware.gov/authver.shtml




Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 2009798

DATE: 01-05-15



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Baby+Company Nashville 1 LLC
C/O MATERNITY CENTERS OF AMERICA LLC
STE 200
306 NE BLAKE ST
BENTONVILLE, AR 72712-5328

June 23, 2014

Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

SOS Control # :	762219	Formation Locale:	DELAWARE
Filing Type:	Limited Liability Company - Foreign	Date Formed:	05/29/2014
Filing Date:	06/23/2014 3:50 PM	Fiscal Year Close:	12
Status:	Active	Annual Report Due:	04/01/2015
Duration Term:	Perpetual	Image # :	7353-2632
Managed By:	Member Managed		

Document Receipt

Receipt # : 1553191	Filing Fee:	\$300.00
Payment-Check/MO - CFS-1, NASHVILLE, TN		\$300.00

Registered Agent Address:
C T CORPORATION SYSTEM
STE 2021
800 S GAY ST
KNOXVILLE, TN 37929-9710

Principal Address:
C/O FORTRESS INVESTMENT GROUP LLC
FL 46
1345 AVENUE OF THE AMERICAS
NEW YORK, NY 10105-0302

Congratulations on the successful filing of your **Application for Certificate of Authority** for **Baby+Company Nashville 1 LLC** in the State of Tennessee which is effective on the date shown above. Visit the TN Department of Revenue website (apps.tn.gov/bizreg) to determine your online tax registration requirements.

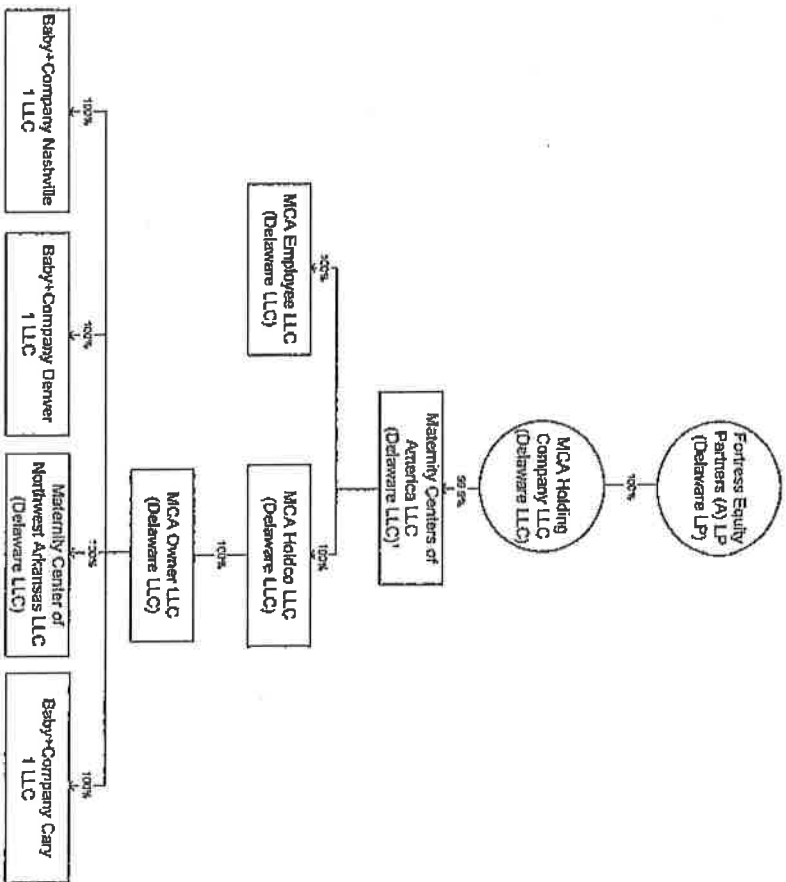
You must file an Annual Report with this office on or before the Annual Report Due Date noted above and maintain a Registered Office and Registered Agent. Failure to do so will subject the business to Administrative Dissolution/Revocation.

Tre Hargett
Secretary of State

Processed By: Tammy Morris

Attachment A, Item 4

Organizational Chart



1 .01% owned by director

Attachment A, Item 6

Lease LOI

December 18, 2014

VIA email: j.d.parks215@gmail.com

Re: Lease Proposal for former Outback Space at 3212 West End Ave, Nashville, TN 37203

Dear JT:

Thank you for your time. Please find indicative terms per our discussion.

Tenant:	A limited liability company organized under the laws of the State of Delaware and affiliated with Maternity Centers of America LLC
Landlord:	De Montbrunpark Holdings, LLC
Premises:	A ±7,800 sq. ft. office suite located on the ground floor of 3212 West End Ave Nashville, TN 37203. The parties agree that the part of the Premises which is a porch is ±1,200 sq. ft.
Tenant's Proposed Use:	Natural Birthing Center
Lease Terms:	Five years
Lease Commencement Date:	Upon Full Lease Execution
Rent Commencement Date:	July 1, 2015

Landlord shall ensure that Tenant shall have access to the Premises on or prior to March 1, 2015, and that by such time the Premises shall be a "white box" with the following characteristics:

- All interior demise walls shall have been removed;
- All electrical circuits (with the exception of minimal lighting circuits identified by the Tenant) shall have been removed up to their respective circuit breaker, all domestic water piping shall have been removed back to the main shut-off valve for the Premises, sanitary sewer lines shall have been removed and the respective floor penetrations patched, and all natural gas lines shall have been removed back to the main shut-off valve to the Premises; All ceiling tile and grid shall have been

removed;

- There shall be only limited lighting;
- All existing floor covering shall have been removed;
- HVAC -- main trunk lines and thermostat shall remain;
- All electrical panels complete with breakers shall remain; and
- All furniture, fixtures, and equipment shall have been removed and the abandoned grease trap shall have been decommissioned, sanitized, and plugged.

Lease Expiration Date: 60 months from the date of Rent Commencement

Certificate of Need: Tenant has already received a certificate of need from the Tennessee Health Services and Development Agency (the "Agency") for a different address, and shall be required to obtain an updated certificate of need for the address of the Premises. Tenant shall file its certificate of need application with the Agency on or prior to January 15, 2015. Tenant shall be allowed to terminate the Lease if it does not receive a certificate of need from the Agency for the Premises on or prior to June 30, 2015, and if Tenant so terminates then Landlord shall be entitled to retain the security deposit and shall promptly return to Tenant all other payments made to the Landlord

Lease Rate: \$23.00 psf, with 2.5% annual escalations in the rent.

Common Area Maintenance: Tenant shall be responsible for its pro-rata share of any increase in common area maintenance over the base year 2015. Increases in Controllable expenses shall be capped at 4% annually

Renewal Options: Tenant shall have the right to two five-year options at the rent provided for in the Lease by giving 6 months' notice

Security Deposit: Tenant shall pay a security deposit equivalent to the first month's rent and shall pay the first month's rent upon Lease execution.

Condition of Premises: As-Is, subject to the requirements set forth in the last paragraph of the section hereof entitled "Rent Commencement Date"

Utilities & Janitorial: To be the responsibility of the Tenant

Parking: Tenant shall have exclusive use of 17 marked spaces on the 1st Floor parking deck opening to Acklen Park Drive. Tenant shall have non-exclusive use of all unreserved spaces, as they exist now or in the future, in the lower parking garage opening onto Park Drive, between the hours of 5 PM and 7 AM seven days per week, up to 30 unreserved spaces in the lower parking deck between 7 AM and 8 AM seven days per week, and between 8 AM Saturdays and 7 AM Mondays

Signage: Tenant shall have similar signage rights to those given to the

previous tenant for the Premises. Furthermore, Tenant shall have additional rights to place signage above the Acklen Park Drive parking deck entrance, in the location of an existing lit box sign.

Tenant Improvements:

Landlord shall have the privilege to review and approve Tenant's plans and specifications, provided that Landlord shall not unreasonably withhold or delay such consent. Tenant agrees to accommodate the existing mechanical systems of the building, the existing clear elevation heights in parking areas, to make no structural changes to the building, and to obtain Landlord/Owner's consent prior to making any change to any exterior surface adjacent to the Tenant's Premises.

Other Provisions:

None

Broker:

Chas. Hawkins Co., Inc. represents the Landlord in this transaction and CB Richard Ellis represents the Tenant and shall be paid a leasing fee as agreed upon by a separate written agreement with the Landlord. Each of Landlord and Tenant warrants to the other that no other broker other than Chas. Hawkins Co., Inc. or CB Richard Ellis is involved in this proposed transaction

This document is intended to provide a basis for understanding and negotiation. This proposal is non-binding on any party until a fully executed lease agreement is completed, and only a fully executed lease agreement shall constitute a lease for the Premises.

Sincerely,

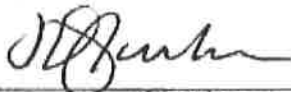


Name:

Title: **EVP-clinical**

Agreed and Accepted as of the date above:

De Montbrunpark Holdings, LLC



Name:

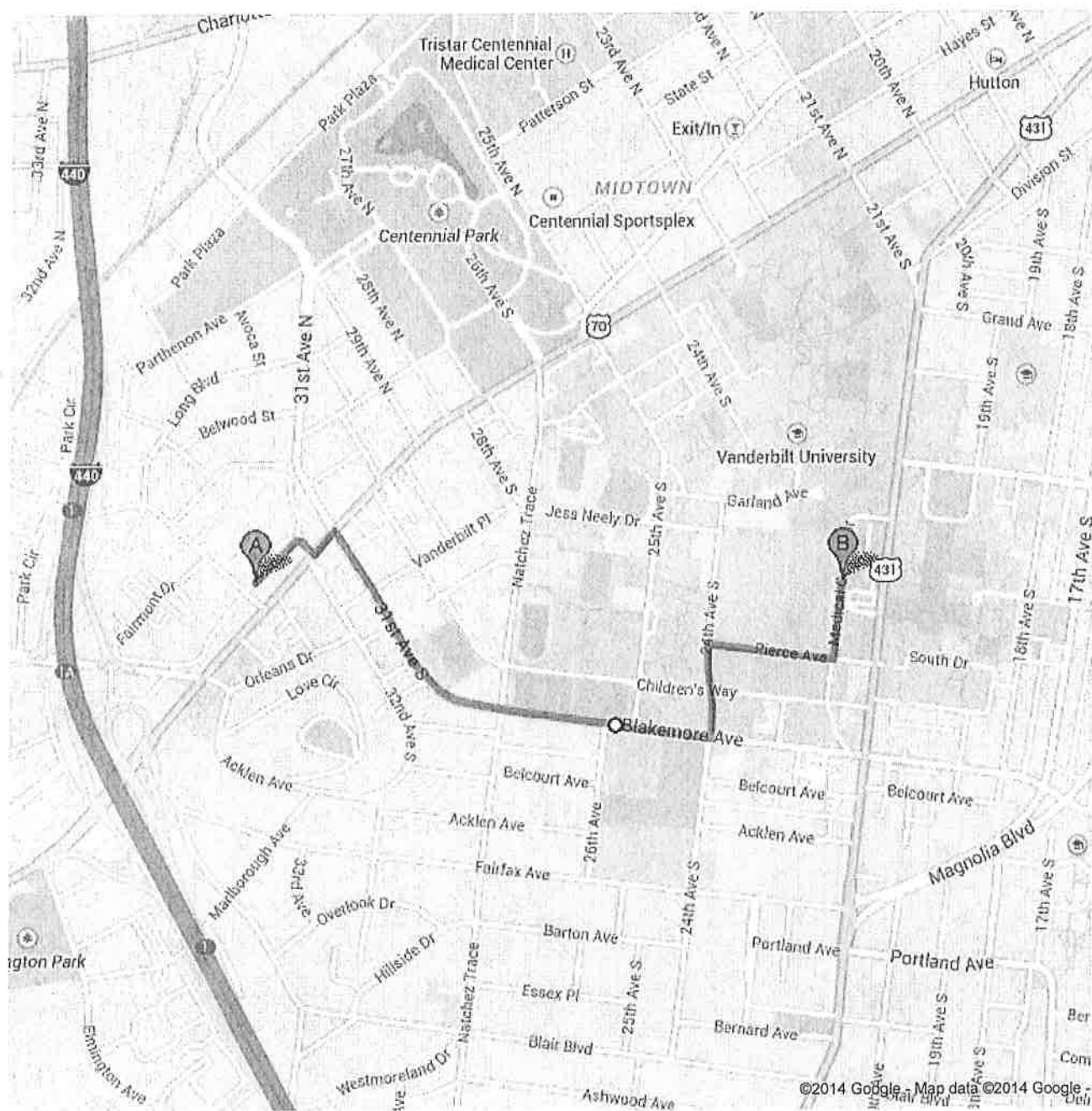
Title: **J. D. PARKS**
CHIEF MGR

Attachment B, I

Map to VUMC






Google

Directions to 1211 Medical Center Dr, Nashville,
TN 37232
1.4 mi – about 5 mins





3212 West End Ave, Nashville, TN 37203

-
- | | |
|---|---------------------------|
| 1. Head northeast on Hillcrest Pl/Park Dr toward West End Ave | go 0.1 mi
total 0.1 mi |
|  2. Turn left onto West End Ave | go 259 ft
total 0.2 mi |
|  3. Take the 1st right onto 31st Ave S
About 55 secs | go 0.4 mi
total 0.6 mi |
| 4. Continue onto Blakemore Ave
About 49 secs | go 0.3 mi
total 0.9 mi |
|  5. Turn left onto 24th Ave S | go 0.1 mi
total 1.0 mi |
|  6. Turn right onto Pierce Ave
About 58 secs | go 0.2 mi
total 1.2 mi |
|  7. Turn left onto Medical Center Dr
Destination will be on the left | go 0.1 mi
total 1.4 mi |



1211 Medical Center Dr, Nashville, TN 37232

These directions are for planning purposes only. You may find that construction projects, traffic, weather, or other events may cause conditions to differ from the map results, and you should plan your route accordingly. You must obey all signs or notices regarding your route.

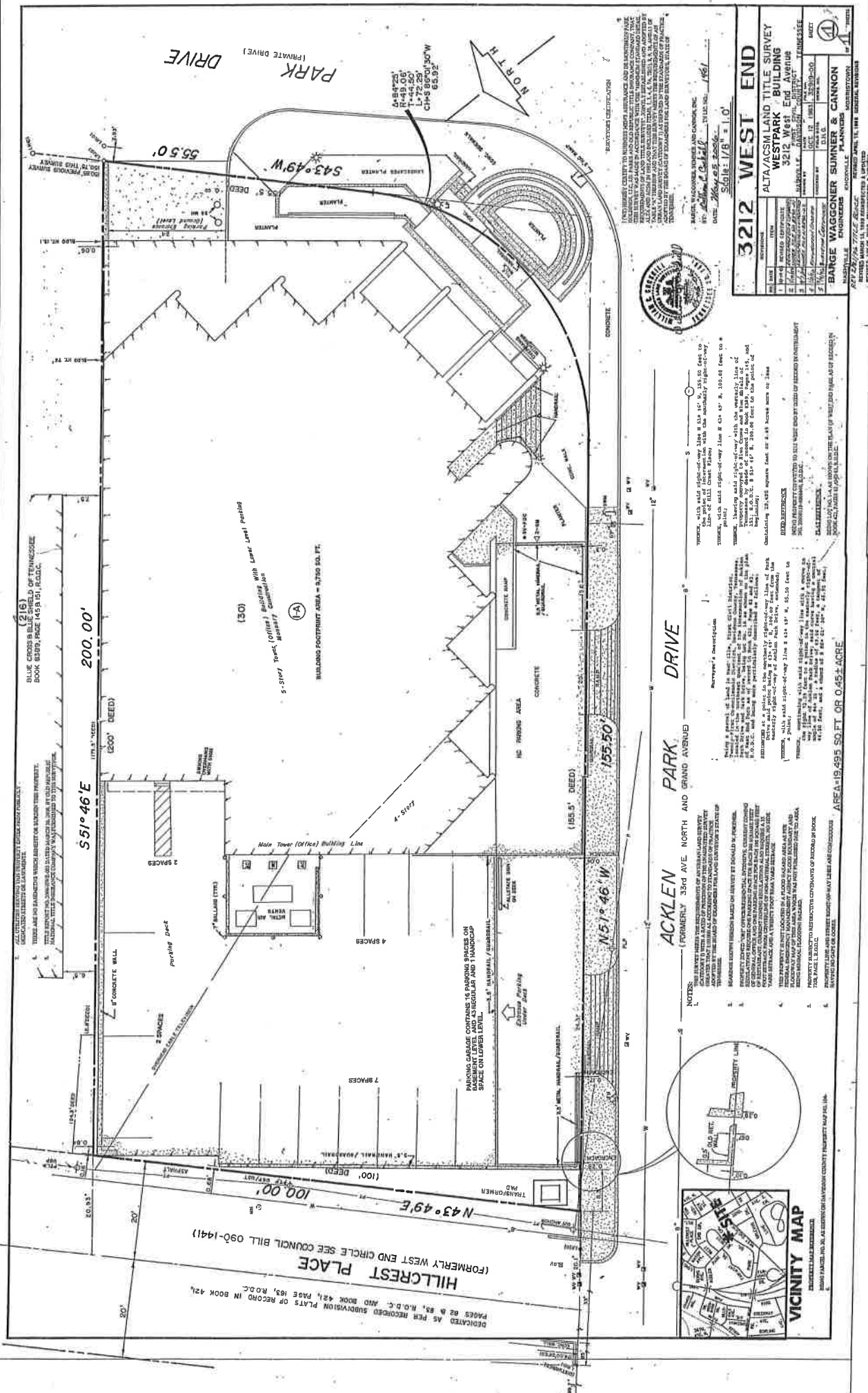
Map data ©2015 Google

Directions weren't right? Please find your route on maps.google.com and click "Report a problem" at the bottom left.

Attachment B, III(A)

Plot Plan

JUN 15 12 35 PM '07



Attachment B, IV

Floor Plan

DATE: 12/22/2014

PROJECT #

PROJECT #

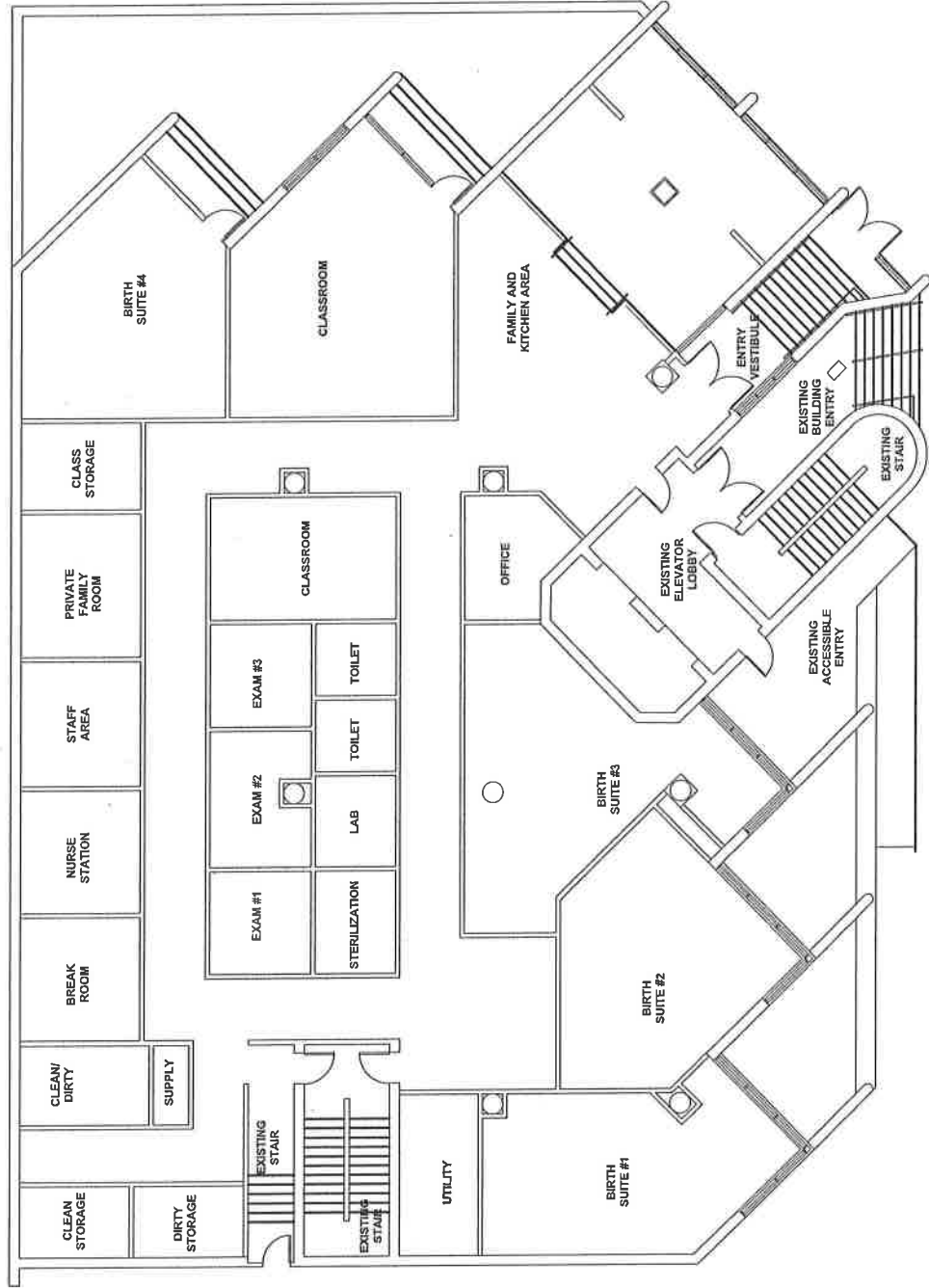
DATE: 12/22/2014

Baby+Company Nashville 1 LLC
3212 West End Avenue

DATE: 12/22/2014

PROJECT #

DATE: 12/22/2014



Attachment C, Need – 1.b.8

VUMC Letter

VANDERBILT UNIVERSITY



MEDICAL CENTER

June 10, 2014

*C. Wright Pinson, M.B.A., M.D.
Deputy Vice Chancellor for Health Affairs
Chief Executive Officer, Vanderbilt Health System
Senior Associate Dean for Clinical Affairs*

Ms. Cara Osborne
Executive Vice President
Maternity Centers of America
5302 Village Parkway
Suite #3
Rogers, AR 72758

Dear Ms. Osborne,

This letter is to confirm our continued discussions regarding Baby+Company Nashville 1 LLC proposal to establish a birthing center.

As discussed, Vanderbilt University Medical Center (VUMC) is willing to provide the Medical Director and midwives as mutually determined to support the birth center. The details and other terms of an agreement under which VUMC will provide the services described will be memorialized in a definitive agreement acceptable to both parties.

In addition, it is VUMC's intent to provide the necessary transfer agreement from the center, to be located at 2106 21st Avenue South, Nashville, Tennessee, 37215, to VUMC, located at 1211 Medical Center Drive, Nashville, Tennessee, 37232.

As the leader of midwifery services in Middle Tennessee, VUMC views this project as complementary to obstetrical services and other resources in the market. Low-risk maternity patients will welcome the availability of the birth center model in the community.

Sincerely,

A handwritten signature in dark ink, appearing to read 'C. Wright Pinson'.

C. Wright Pinson, MBA, MD
Deputy Vice Chancellor for Health Affairs
Senior Associate Dean for Clinical Affairs
CEO of the Vanderbilt Health System

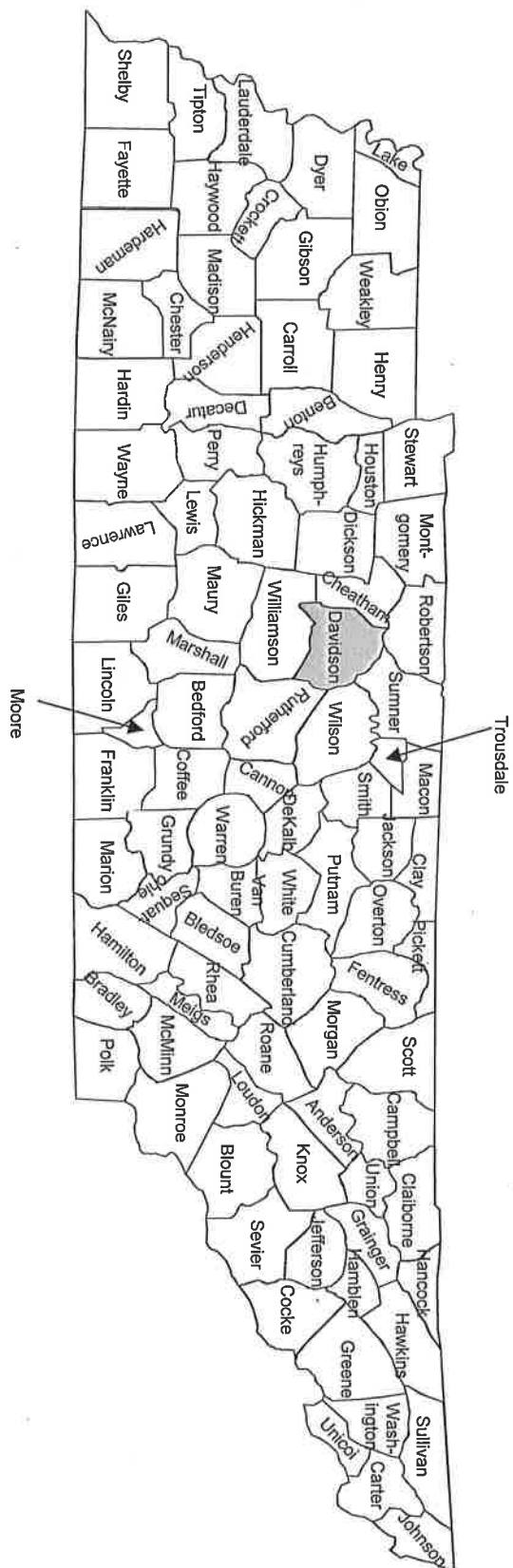
cc: Jim Corum, Vice President, Business Development
Ginna Felts, Consultant, Business Development
Luke Gregory, Chief Executive Officer, Monroe Carell Jr. Children's Hospital at Vanderbilt
David Posch, Chief Executive Officer, Vanderbilt University Hospital and VMG

1161 21st Avenue South
D3300 Medical Center North
Nashville, TN 37232-2104

tel 615.343.9324
fax 615.343.2330
wright.pinson@vanderbilt.edu

Attachment C, Need - 3

Service Area Map



Attachment C, Need – 4.A.(1)

Demographic Information

State & County QuickFacts

Davidson County, Tennessee

People QuickFacts	Davidson County	Tennessee
Population, 2013 estimate	658,602	6,485,978
Population, 2012 estimate	648,801	6,454,914
Population, 2010 (April 1) estimates base	626,684	6,346,113
Population, percent change, April 1, 2010 to July 1, 2013	5.1%	2.4%
Population, percent change, April 1, 2010 to July 1, 2012	3.5%	1.7%
Population, 2010	628,881	6,346,105
Persons under 5 years, percent, 2012	7.1%	6.3%
Persons under 18 years, percent, 2012	21.9%	23.1%
Persons 65 years and over, percent, 2012	10.7%	14.2%
Female persons, percent, 2012	51.6%	51.2%
White alone, percent, 2012 (a)	65.8%	79.3%
Black or African American alone, percent, 2012 (a)	28.1%	17.0%
American Indian and Alaska Native alone, percent, 2012 (a)	0.5%	0.4%
Asian alone, percent, 2012 (a)	3.2%	1.6%
Native Hawaiian and Other Pacific Islander alone, percent, 2012 (a)	0.1%	0.1%
Two or More Races, percent, 2012	2.2%	1.6%
Hispanic or Latino, percent, 2012 (b)	9.9%	4.8%
White alone, not Hispanic or Latino, percent, 2012	57.1%	75.1%
Living in same house 1 year & over, percent, 2008-2012	79.0%	84.4%
Foreign born persons, percent, 2008-2012	11.8%	4.6%
Language other than English spoken at home, pct age 5+, 2008-2012	15.5%	6.6%
High school graduate or higher, percent of persons age 25+, 2008-2012	85.9%	83.9%
Bachelor's degree or higher, percent of persons age 25+, 2008-2012	35.0%	23.5%
Veterans, 2008-2012	39,498	493,980
Mean travel time to work (minutes), workers age 16+, 2008-2012	23.1	24.1
Housing units, 2012	286,678	2,834,620
Homeownership rate, 2008-2012	55.4%	68.4%
Housing units in multi-unit structures, percent, 2008-2012	37.1%	18.2%
Median value of owner-occupied housing units, 2008-2012	\$167,200	\$138,700
Households, 2008-2012	255,887	2,468,841
Persons per household, 2008-2012	2.37	2.51
Per capita money income in past 12 months (2012 dollars), 2008-2012	\$28,513	\$24,294
Median household income, 2008-2012	\$48,676	\$44,140
Persons below poverty level, percent, 2008-2012	18.5%	17.3%

Business QuickFacts	Davidson County	Tennessee
Private nonfarm establishments, 2011	17,809	129,489 ¹
Private nonfarm employment, 2011	377,254	2,300,542 ¹
Private nonfarm employment, percent change, 2010-2011	1.8%	1.6% ¹
Nonemployer establishments, 2011	57,150	473,451
Total number of firms, 2007	64,653	545,348
Black-owned firms, percent, 2007	11.1%	8.4%
American Indian- and Alaska Native-owned firms, percent, 2007	0.6%	0.5%
Asian-owned firms, percent, 2007	3.4%	2.0%
Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	0.1%	0.1%
Hispanic-owned firms, percent, 2007	2.6%	1.6%
Women-owned firms, percent, 2007	26.8%	25.9%

Manufacturers shipments, 2007 (\$1000)	7,347,204	140,447,760
Merchant wholesaler sales, 2007 (\$1000)	11,942,568	80,116,528
Retail sales, 2007 (\$1000)	10,661,843	77,547,291
Retail sales per capita, 2007	\$17,029	\$12,563
Accommodation and food services sales, 2007 (\$1000)	2,202,962	10,626,759
Building permits, 2012	2,963	20,147

Geography QuickFacts	Davidson	
	County	Tennessee
Land area in square miles, 2010	504.03	41,234.90
Persons per square mile, 2010	1,243.3	153.9
FIPS Code	037	47
Metropolitan or Micropolitan Statistical Area	Nashville- Davidson-- Murfreesboro --Franklin, TN Metro Area	

1: Includes data not distributed by county.

(a) Includes persons reporting only one race.

(b) Hispanics may be of any race, so also are included in applicable race categories.

D: Suppressed to avoid disclosure of confidential information

F: Fewer than 25 firms

FN: Footnote on this item for this area in place of data

NA: Not available

S: Suppressed; does not meet publication standards

X: Not applicable

Z: Value greater than zero but less than half unit of measure shown

Source: U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, American Community Survey, Census of Population and Housing, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits
Last Revised: Friday, 16-May-2014 08:54:18 EDT

Attachment C, Economic Feasibility – 1(Building FMV)

Building FMV

J.D. Parks, Chief Manager
deMontbrun – Park Holdings, LLC
PO Box 867
Cookeville, TN 38503

RE: Baby+Co.-Nashville

Per your written request, please accept this letter as an indication of value for the property and improvements located at 3212 West End, Nashville, TN 37212.

The value for the property and improvements located at 3212 West End, Nashville, TN 37212 is \$4,878,900. This value is based on the value determined by the Metro Nashville Assessor of Property for fiscal year 2014.

Please note that this letter does not constitute an offer to sell the property. There are multiple methodologies for determining value. Further, there are many considerations that an owner must weigh when determining a sale price, some of which may not be quantifiable using standard appraisal and valuation methods.

Respectfully,
J.D. Parks

(931)319-3198
Cookeville, TN 38503

Attachment C, Economic Feasibility – 1(Architect Letter)

Architect Letter



SGA Design Group

January 5, 2015

Ms. Carla Hackett
Maternity Centers of America
Cara Osborne
5302 Village Parkway #3
Rogers, AR 72758

RE: Baby+Company Nashville 1 LLC
3212 West End Avenue, Nashville, TN

Dear Ms. Hackett,

In regards to the proposed Certificate of Need (CON), we are in the process of preparing plans for the remodel and conversion of the existing facility for the Baby+Company Nashville 1 LLC. The remodel and conversion will encompass the demolition of all existing rooms, equipment, mechanical, electrical and plumbing systems and replacement as necessary to fit the needs of the Birthing Center.

The plans call for four (4) birthing center rooms, three (3) exam rooms, two (2) classrooms, a kitchen / family room, support spaces, accessible restrooms, storage, utility and entry lobby spaces. The completed space will encompass 7,800 gsf.

We have reviewed the Square Footage and Cost Per Square Footage Chart that has been prepared for the CON to the state of Tennessee for this remodel and conversion. The proposed cost of \$695,216 or an average of \$89.13 / SF for a 7,800 square foot project appears reasonable and accurate in today's construction market.

Based on our experience we believe the remodeled facility will meet the Guidelines for Design and Construction of Health Care Facilities and all applicable local, state and federal standards.

We have reviewed the applicable building codes adopted by the Authority Having Jurisdiction (AHJ). As of the date of this letter they include:

Applicable Local Codes -- City of Nashville

2006 International Building Code with local amendments
2006 International Residential Code with local amendments
2006 International Energy Conservation Code
2006 International Plumbing Code with local amendments
2006 International Mechanical Code with local amendments
2006 International Fuel Gas Code with local amendments
2006 International Fire Code with local amendments
2011 National Electric Code with local amendments
2003 ICC / ANSI A117.1 Accessible and Usable Buildings and Facilities
2006 Life Safety Code (NFPA 101) with local amendments

Building Classification

Occupancy: Business
Type V-B Construction

If you have any further questions, please do not hesitate to call. Sincerely,



Paul McManus, AIA, NCARB
Principal

lrb

Attachment C, Economic Feasibility - 2

Funding Letters

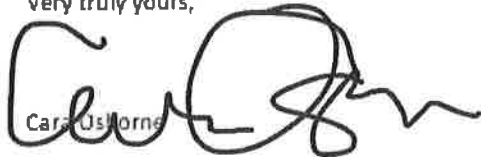
Tennessee Health Services
and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Baby + Company Nashville

Dear Agency:

This letter confirms that Maternity Centers of America LLC, through cash on hand and from commitments by its investor/owner Fortress Equity Partners, LP, has sufficient resources to fund the start-up costs and working capital of \$1,348,481.

Very truly yours,


Cara Usborne

EVP, Clinical

Fortress Equity Partners (A) LP
c/o Fortress Investment Group LLC
1345 Avenue of the Americas
New York, NY 10105

January 6, 2015

Maternity Centers of America LLC
306 NE Blake Street, Suite #200
Bentonville, Arkansas 72712
Attention: Cara Osborne, EVP - Clinical

Re: Baby + Company Nashville

Dear Cara:

This will confirm that we have resources available and are committed to fund the start-up expenses of the Baby+Company Nashville project in an amount of approximately \$1,034,950 and initial working capital in the amount of approximately \$313,531, subject to the receipt of all regulatory approvals needed to operate the project, signing a lease for the project and entering into a professional services contract with Vanderbilt University Medical Center regarding the project.

Very truly yours,



John Morrissey
Chief Financial Officer of Fortress Equity Partners GP LLC, the general partner of
Fortress Equity Partners (A) LP

Attachment C, Economic Feasibility - 9

Financial Statement

Maternity Centers of America
Balance Sheet
August-14

1	Assets	
2	Cash	1,717,012
3	Accounts Receivable	181,393
4	Inventory	5,192
5	Prepaid expenses	42,754
6	Total Current Assets	1,946,351
7	Furniture & Equipment	68,547
8	Computer/Software	9,441
9	Leasehold Improvements	282,051
10	Total	360,039
11	Less: Acc. Depreciation	(44,444)
12	Total Fixed Assets	315,595
17	Rent Deposit (rent paid per month)	4,572
18	Working Capital Reserve	-
19	Deferred Tax Asset	-
20	Goodwill (\$350k purchase price)	381,285
21	Total Assets	2,647,803
22	Liabilities	
25	Line of Credit	136,600
26	Total Payroll Liabilities	(18,288)
36	Birth Deposits	92,732
27	Accounts Payable	108,493
28	Loan Payable - Birth Center	212,307
29	Deferred rent	9,715
	Total Liabilities	541,559
29	Equity	
30	Beginning Eqty: Total	38,805
31	Plus: Net Income	(1,107,890)
32	Plus: Fortress Working Capital Injection	2,794,044
33	Goodwill (\$350k purchase price)	381,285
34	Total Equity	2,106,244
35	Total Liabilities & Equity	2,647,803

Maternity Centers of America
Income Statement
August-14

Period Ending August 31, 2014

Actuals

Revenues	
50 Pre-Natal & Birth	283,468
51 Women Wellness	12,654
52 Retail	8,439
53 Class	3,872
54 Drug Revenue	-
55 Other Revenue	376
Total Revenues	308,810

COGS	
56 Medical Supplies	(11,359)
57 IUD	(1,590)
58 Pharmaceuticals	(2,508)
59 DOH Newborn Screening	(3,089)
60 Retail Product	(5,102)
61 Other Retail	(109)
62 Retail Assets	(877)
63 Class Material Development	(230)
64 Class Aides	(1,458)
65 DME Purchase	(2,600)
Total COGs	(28,922)

Salary	
66 Salaries	(746,534)

Insurance	
67 All inclusive AON insurance (prof liability & general)	(30,579)

Space	
68 Rent	(47,757)
69 Tenant Improvement	(8,769)
Lease Op-Ex	-
Total Space	(56,526)

Clinical & Site Costs	
70 Utilities	(2,714)
71 Repairs & Maintenance	(5,445)
72 Telephone	(4,282)
73 Technology Services	(21,289)
74 Office Supplies	(6,150)
75 Postage	(115)
76 Oxygen Supplier	(3,639)
77 Medical Inspection	-
Clinical & Site Costs	(43,634)

<u>Clinical Contractors</u>	
78 Pharmacist	(896)
79 Physician Partner	-
Total Clinical Contractors	(896)
<u>Bank & Financing Charges</u>	
80 Bank Charges	(5,544)
81 Credit Card Interest & Transaction Fees	(3,212)
82 Bookkeeping	(36,998)
Total Bank & Financing	(45,754)
<u>License & Fees</u>	
83 Site	(38,659)
84 Midwife	-
85 Nurses	-
86 Compliance Training (HIPPA; Blood Born Pathogen, etc)	-
87 DEA every 2 Years	-
88 DME	-
Total Licensing & Fees	(38,659)
<u>Marketing</u>	
89 Digital Ads (SEO / SEM)	(23,996)
90 Print/Newsletter Advertising	(317)
91 Radio Advertising	-
92 Email Campaign	-
93 Billboard	(12,450)
94 Events	(4,089)
95 Printed Materials (Sales Collateral)	(1,839)
96 Promotions	-
97 Other	(37,288)
Total Marketing	(79,978)
<u>Other</u>	
98 Travel for Recruiting	(100,262)
103 Legal	(150,810)
104 Other Professional Fees	(47,081)
110 Startup Expense	(6,145)
99 Misc	(14,514)
Total Other	(318,813)
<u>Ancillary Services</u>	
100 DME Rental	-
Total Ancillary Services	-
Total Operating Expenses	(1,361,372)
EBITDA	(1,081,484)
EBITDA Margin	-
101 Less: D&A	(21,687)

Please note that these financial statements are not audited

	EBIT	
102	Less: Interest	(4,718)
	Pre-Tax Income	
	Plus: Other Income	
	Less: Net Taxes	
	Net Income	(1,107,890)

Other FFE, Hardware or other Capital Purchases

	Printer	
	Stress Test	
	Total FFE	

FORTRESS EQUITY PARTNERS (A) LP

STATEMENT OF ASSETS AND LIABILITIES (Unaudited)

(dollar amounts in thousands)

	<u>November 30, 2014</u>
ASSETS	
Investments, at fair value (cost \$71,480)	\$ 71,480
Cash and cash equivalents	<u>316</u>
	<u>71,796</u>
LIABILITIES	
Other liabilities	<u>32</u>
NET ASSETS, representing partners' capital	<u><u>\$ 71,764</u></u>

Please note that these financial statements are not audited

FORTRESS EQUITY PARTNERS (A) LP

STATEMENT OF OPERATIONS (Unaudited)
(dollar amounts in thousands)

Period from March 11, 2014
(Commencement of
Operations) to
November 30, 2014

INCOME

\$ -

EXPENSES

General and administrative expense

(46)

(46)

NET INVESTMENT LOSS

(46)

NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS

\$ (46)

Table of Contents

Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2013 and 2012

Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Changes in Equity for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011.

Notes to Consolidated Financial Statements

All supplemental schedules have been omitted because either the required information is included in our consolidated financial statements and notes thereto or it is not applicable.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Fortress Investment Group LLC

We have audited the accompanying consolidated balance sheets of Fortress Investment Group LLC (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fortress Investment Group LLC at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fortress Investment Group LLC and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
February 27, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Fortress Investment Group LLC

We have audited Fortress Investment Group LLC and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Fortress Investment Group LLC and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fortress Investment Group LLC as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013, and our report dated February 27, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

New York, New York
February 27, 2014

Table of Contents

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	December 31,	
	2013	2012
Assets		
Cash and cash equivalents	\$ 364,583	\$ 104,242
Due from affiliates	407,124	280,557
Investments	1,253,266	1,211,684
Investments in options	104,338	38,077
Deferred tax asset, net	354,526	396,320
Other assets	190,595	124,798
	<u>\$ 2,674,432</u>	<u>\$ 2,155,678</u>
Liabilities and Equity		
Liabilities		
Accrued compensation and benefits	\$ 417,309	\$ 146,911
Due to affiliates	344,832	357,407
Deferred incentive income	247,556	231,846
Debt obligations payable	—	149,453
Other liabilities	49,830	53,411
	<u>1,059,527</u>	<u>939,028</u>
Commitments and Contingencies		
Equity		
Class A shares, no par value, 1,000,000,000 shares authorized, 240,741,920 and 218,286,342 shares issued and outstanding at December 31, 2013 and 2012, respectively	—	—
Class B shares, no par value, 750,000,000 shares authorized, 249,534,372 and 249,534,372 shares issued and outstanding at December 31, 2013 and 2012, respectively	—	—
Paid-in capital	2,112,720	2,119,102
Retained earnings (accumulated deficit)	(1,286,131)	(1,486,578)
Treasury shares (2,082,684 Class A shares held by subsidiary at December 31, 2012)	—	(3,419)
Accumulated other comprehensive income (loss)	(1,522)	(2,634)
Total Fortress shareholders' equity	<u>825,067</u>	<u>626,471</u>
Principals' and others' interests in equity of consolidated subsidiaries	<u>789,838</u>	<u>590,179</u>
Total equity	<u>1,614,905</u>	<u>1,216,650</u>
	<u>\$ 2,674,432</u>	<u>\$ 2,155,678</u>

See notes to consolidated financial statements.

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in thousands, except per share data)

	Year Ended December 31,		
	2013	2012	2011
Revenues			
Management fees: affiliates	\$ 520,283	\$ 456,090	\$ 464,305
Management fees: non-affiliates	62,795	45,617	58,096
Incentive income: affiliates	419,828	246,438	155,303
Incentive income: non-affiliates	44,383	26,162	1,917
Expense reimbursements: affiliates	206,452	186,592	169,282
Expense reimbursements: non-affiliates	7,209	4,580	4,057
Other revenues (affiliate portion disclosed in Note 7)	4,033	4,390	5,668
	<u>1,264,983</u>	<u>969,869</u>	<u>858,628</u>
Expenses			
Interest expense	5,382	15,781	18,526
Compensation and benefits	741,761	750,359	706,060
Principals agreement compensation (expired in 2011)	—	—	1,051,197
General, administrative and other	136,770	127,149	145,726
Depreciation and amortization	13,690	14,931	33,399
	<u>897,603</u>	<u>908,220</u>	<u>1,954,908</u>
Other Income (Loss)			
Gains (losses) (affiliate portion disclosed in Note 4)	53,933	48,921	(30,054)
Tax receivable agreement liability adjustment	(8,787)	(8,870)	3,098
Earnings (losses) from equity method investees	136,866	156,530	41,935
	<u>182,012</u>	<u>196,581</u>	<u>14,979</u>
Income (Loss) Before Income Taxes	<u>549,392</u>	<u>258,230</u>	<u>(1,081,301)</u>
Income tax benefit (expense)	(65,801)	(39,408)	(36,035)
Net Income (Loss)	<u>\$ 483,591</u>	<u>\$ 218,822</u>	<u>\$ (1,117,336)</u>
Principals' and Others' Interests in Income (Loss) of Consolidated Subsidiaries	<u>\$ 283,144</u>	<u>\$ 140,538</u>	<u>\$ (685,821)</u>
Net Income (Loss) Attributable to Class A Shareholders	<u>\$ 200,447</u>	<u>\$ 78,284</u>	<u>\$ (431,515)</u>
Earnings (Loss) Per Class A share			
Net income (loss) per Class A share, basic	\$ 0.83	\$ 0.29	\$ (2.34)
Net income (loss) per Class A share, diluted	\$ 0.79	\$ 0.27	\$ (2.36)
Weighted average number of Class A shares outstanding, basic	<u>236,246,296</u>	<u>214,399,422</u>	<u>186,662,670</u>
Weighted average number of Class A shares outstanding, diluted	<u>500,631,423</u>	<u>524,900,132</u>	<u>493,392,235</u>

See notes to consolidated financial statements.

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollars in thousands)

	Year Ended December 31,		
	2013	2012	2011
Comprehensive income (loss) (net of tax)			
Net income (loss)	\$ 483,591	\$ 218,822	\$ (1,117,336)
Foreign currency translation	(772)	(1,447)	417
Comprehensive income (loss) from equity method investees	4,136	(778)	(203)
Total comprehensive income (loss)	<u>\$ 486,955</u>	<u>\$ 216,597</u>	<u>\$ (1,117,122)</u>
Comprehensive income (loss) attributable to principals' and others' interests	<u>\$ 285,243</u>	<u>\$ 139,089</u>	<u>\$ (685,858)</u>
Comprehensive income (loss) attributable to Class A shareholders	<u>\$ 201,712</u>	<u>\$ 77,508</u>	<u>\$ (431,264)</u>

See notes to consolidated financial statements.

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(dollars in thousands)

	Class A Shares	Class B Shares	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total Fortress Shareholders' Equity	Principals' and Others' Interests in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2010	169,536,968	300,273,852	\$1,465,358	\$ (1,052,605)	\$ —	\$ (1,289)	\$ 411,464	\$ 517,951	\$ 929,415
Contributions from principals' and others' interests in equity	—	—	—	—	—	—	—	81,572	81,572
Distributions to principals' and others' interests in equity (net of tax)	—	—	(840)	—	—	—	(840)	(124,723)	(125,563)
Conversion of Class B shares to Class A shares	4,749,434	(4,749,434)	3,878	—	—	(33)	3,845	(3,845)	—
Net deferred tax effects resulting from acquisition and exchange of Fortress Operating Group units	—	—	9,243	—	—	—	9,243	—	9,243
Director restricted share grant	143,624	—	412	—	—	—	412	704	1,116
Capital increase related to equity-based compensation, net	15,394,027	10,333,333	481,327	—	—	—	481,327	802,404	1,283,731
Dilution impact of Class A share issuance	—	—	13,333	—	—	(89)	13,244	(13,244)	—
Comprehensive income (loss) (net of tax)	—	—	—	(431,515)	—	—	(431,515)	(685,821)	(1,117,336)
Net income (loss)	—	—	—	—	—	340	340	77	417
Foreign currency translation	—	—	—	—	—	—	—	—	—
Comprehensive income (loss) from equity method investees	—	—	—	—	—	(89)	(89)	(114)	(203)
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	—
Equity - December 31, 2011	189,824,053	305,857,751	\$1,972,711	\$ (1,484,120)	\$ —	\$ (1,160)	\$ 487,431	\$ 574,961	\$ 1,062,392

Continued on next page.

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(dollars in thousands)

	Class A Shares	Class B Shares	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total Fortress Shareholders' Equity	Principals' and Others' Interests in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2011	189,824,053	305,857,751	\$ 1,972,711	\$ (1,484,120)	\$ —	\$ (1,160)	\$ 487,431	\$ 574,961	\$ 1,062,392
Contributions from principals' and others' interests in equity	—	—	—	—	—	—	—	35,387	35,387
Distributions to principals' and others' interests in equity (net of tax)	—	—	(704)	—	—	—	(704)	(99,082)	(99,786)
Dividends declared	—	—	(42,378)	—	—	—	(42,378)	—	(42,378)
Dividend equivalents accrued in connection with equity-based compensation (net of tax)	—	—	(712)	—	—	—	(712)	(1,027)	(1,739)
Conversion of Class B shares to Class A shares	17,467,232	(17,467,232)	22,362	—	—	(196)	22,166	(22,166)	—
Net deferred tax effects resulting from acquisition and exchange of Fortress Operating Group units	—	—	25,908	—	—	—	25,908	1	25,909
Director restricted share grant	257,918	—	344	—	—	—	344	500	844
Capital increase related to equity-based compensation, net	12,819,823	10,333,333	82,058	—	—	—	82,058	116,819	198,877
Dilution impact of Class A share issuance	—	—	59,513	—	—	(502)	59,011	(59,011)	—
Repurchase of Class A shares (Note 9)	(2,082,684)	—	—	—	(3,419)	—	(3,419)	(3,870)	(7,289)
Repurchase of Class B shares (Note 9)	—	(49,189,480)	—	(80,742)	—	—	(80,742)	(91,422)	(172,164)
Comprehensive income (loss) (net of tax)	—	—	—	—	—	—	—	—	—
Net income (loss)	—	—	—	78,284	—	—	78,284	140,538	218,822
Foreign currency translation	—	—	—	—	—	(660)	(660)	(787)	(1,447)
Comprehensive income (loss) from equity method investees	—	—	—	—	—	(116)	(116)	(662)	(778)
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	—
Equity - December 31, 2012	218,286,342	249,534,372	\$ 2,119,102	\$ (1,486,578)	\$ (3,419)	\$ (2,634)	\$ 626,471	\$ 590,179	\$ 1,216,650

See notes to consolidated financial statements.

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(dollars in thousands)

	Class A Shares	Class B Shares	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total Fortress Shareholders' Equity	Principals' and Others' Interests in Equity of Consolidated Subsidiaries	Total Equity
Equity - December 31, 2012	218,286,342	249,534,372	\$2,119,102	\$ (1,486,578)	\$ (3,419)	\$ (2,634)	\$ 626,471	\$ 590,179	\$ 1,216,650
Contributions from principals' and others' interests in equity	—	—	—	—	—	—	—	70,272	70,272
Distributions to principals' and others' interests in equity (net of tax)	—	—	(112)	—	—	—	(112)	(149,420)	(149,532)
Dividends declared	—	—	(56,340)	—	—	—	(56,340)	66	(56,274)
Dividend equivalents accrued in connection with equity-based compensation (net of tax)	—	—	(531)	—	—	—	(531)	(845)	(1,376)
Conversion of Class B shares to Class A shares	10,333,334	(10,333,334)	10,143	—	—	—	10,143	(10,143)	—
Net deferred tax effects resulting from acquisition and exchange of Fortress Operating Group units	—	—	13,315	—	—	—	13,315	(30)	13,285
Director restricted share grant	127,533	—	372	—	—	—	372	398	770
Capital increase related to equity-based compensation, net	9,912,027	10,333,334	17,037	—	—	—	17,037	18,123	35,160
Dilution impact of Class A share issuance	—	—	14,173	—	(15)	(153)	14,005	(14,005)	—
Reissuance of treasury stock	2,082,684	—	(4,439)	—	3,434	—	(1,005)	—	(1,005)
Comprehensive income (loss) (net of tax)	—	—	—	200,447	—	—	200,447	283,144	483,591
Net income (loss)	—	—	—	—	—	—	—	(540)	(772)
Foreign currency translation	—	—	—	—	—	(232)	(232)	—	—
Comprehensive income (loss) from equity method investees	—	—	—	—	—	1,497	1,497	2,639	4,136
Total comprehensive income (loss)	—	—	—	—	—	—	—	283,144	483,591
Equity - December 31, 2013	240,741,920	249,534,372	\$2,112,720	\$ (1,286,131)	\$ —	\$ (1,522)	\$ 825,067	\$ 789,838	\$ 1,614,905

See notes to consolidated financial statements.

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in thousands)

	Year Ended December 31		
	2013	2012	2011
Cash Flows From Operating Activities			
Net income (loss)	\$ 483,591	\$ 218,822	\$ (1,117,336)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	13,690	14,931	33,399
Other amortization and accretion (included in interest expense)	900	2,942	1,477
(Earnings) losses from equity method investees	(136,866)	(156,530)	(41,935)
Distributions of earnings from equity method investees	84,548	59,785	23,719
(Gains) losses	(53,933)	(48,921)	30,054
Deferred incentive income	(107,276)	(77,993)	(80,093)
Deferred tax (benefit) expense	54,431	29,442	24,622
Adjustment of estimated forfeited non-cash compensation	70	(1,691)	—
Options received from affiliates	(42,516)	(21,524)	(12,615)
Tax receivable agreement liability adjustment	8,787	8,870	(3,098)
Equity-based compensation	39,266	213,274	1,284,086
Options in affiliates granted to employees	8,190	10,134	—
Allowance for doubtful accounts	793	796	5,263
Cash flows due to changes in			
Due from affiliates	(347,942)	(58,927)	(133,322)
Other assets	(18,082)	(20,398)	7,322
Accrued compensation and benefits	330,907	(75,390)	51,166
Due to affiliates	(2,667)	(18,241)	(9,353)
Deferred incentive income	118,765	65,361	112,068
Other liabilities	(1,765)	(2,792)	(7,181)
Net cash provided by (used in) operating activities	432,891	141,950	168,243
Cash Flows From Investing Activities			
Contributions to equity method investees	(37,084)	(63,798)	(82,610)
Distributions of capital from equity method investees	281,481	140,712	180,855
Proceeds from sale of direct investments	18,849	—	—
Purchase of equity securities	(20,043)	—	—
Purchase of digital currency (Bitcoin)	(20,000)	—	—
Purchase of fixed assets	(11,471)	(10,375)	(17,713)
Net cash provided by (used in) investing activities	211,732	66,539	80,532
Cash Flows From Financing Activities			
Repayments of debt obligations	(149,453)	(261,250)	(16,250)
Payment of deferred financing costs	(2,367)	—	—
Repurchase of shares and RSUs (Note 9)	—	(37,776)	—
Dividends and dividend equivalents paid	(57,926)	(44,170)	—
Principals' and others' interests in equity of consolidated subsidiaries - contributions	401	431	13,484
Principals' and others' interests in equity of consolidated subsidiaries - distributions	(174,937)	(94,648)	(123,475)
Net cash provided by (used in) financing activities	(384,282)	(437,413)	(126,241)
Net Increase (Decrease) in Cash and Cash Equivalents	260,341	(228,924)	122,534
Cash and Cash Equivalents, Beginning of Period	104,242	333,166	210,632
Cash and Cash Equivalents, End of Period	\$ 364,583	\$ 104,242	\$ 333,166

Continued on next page.

Table of Contents

FORTRESS INVESTMENT GROUP LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

Supplemental Disclosure of Cash Flow Information

Cash paid during the period for interest

Cash paid during the period for income taxes

Supplemental Schedule of Non-cash Investing and Financing Activities

Employee compensation invested directly in subsidiaries

Investments of incentive receivable amounts into Fortress Funds

Dividends, dividend equivalents and Fortress Operating Group unit distributions
declared but not yet paid

Exchange of promissory note for shares (Note 9)

Year Ended December 31		
2013	2012	2011
\$ 3,586	\$ 13,689	\$ 16,122
\$ 6,468	\$ 7,932	\$ 8,574
\$ 66,779	\$ 34,806	\$ 68,087
\$ 227,091	\$ 80,523	\$ 143,862
\$ 5,160	\$ 31,997	\$ 29,423
\$ —	\$ 149,453	\$ —

See notes to consolidated financial statements.

BUTLER | SNOW

January 9, 2015

VIA HAND DELIVERY

Melanie M. Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Baby + Company Nashville, Letter of Intent

Dear Ms. Hill:

Enclosed are the original and two (2) copies of a letter of intent to file a certificate of need application on behalf of the project referenced above.

Thank you for your attention to this matter.

Very truly yours,

BUTLER SNOW LLP



Dan H. Elrod

clw
Enclosures

*The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201*

DAN H. ELROD
615.651.6702
dan.elrod@butlersnow.com

T 615.651.6700
F 615.651.6701
www.butlersnow.com

24103323v1

BUTLER SNOW LLP



State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the Tennessean which is a newspaper
(Name of Newspaper)
of general circulation in Davidson, Tennessee, on or before January 10, 20 15,
(County) (Month / day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Baby + Company Nashville, a proposed Birthing Center
(Name of Applicant) (Facility Type-Existing)

owned by: Baby + Company Nashville 1 LLC with an ownership type of limited liability company

intends to file an application for a Certificate of Need to relocate the Birthing Center originally approved by the Agency in CN1406-022 for leased space at 2106 21st Avenue, Nashville, TN 37212 to leased space at 3212 West End Avenue, Nashville, TN 37203. The facility will include 4 birthing suites, 3 examination rooms, and various support areas. The facility will occupy approximately 7,800 sq. ft. The project will not involve licensed beds, the acquisition of major medical equipment or the initiation of a health care service for which a certificate of need is required. The total project cost will be approximately \$2,080,111.00.

The anticipated date of filing the application is: January 15, 20 15

The contact person for this project is Dan Elrod Attorney
(Contact Name) (Title)

who may be reached at: Butler Snow LLP 150 3rd Avenue South, Suite 1600
(Company Name) (Address)

Nashville TN 37201 615 / 651-6702
(City) (State) (Zip Code) (Area Code / Phone Number)

[Signature] 1/9/2015 dan.elrod@butlersnow.com
(Signature) (Date) (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

CONSENT CALENDAR

February 2, 2015

Dan H. Elrod, Esq.
Butler Snow LLP
150 3rd Avenue South, Suite 1600
Nashville, TN 37201

RE: Certificate of Need Application for Baby + Company Nashville -- CN1501-003

The relocation of an approved but unimplemented CON (CN1406-022) for a birthing center from leased space at 2106 21st Avenue, Nashville (Davidson County) to leased space at 3212 West End Avenue, Nashville (Davidson County). The facility will include 4 birthing suites, 3 examination rooms and various support areas in approximately 7,800 square feet. The project cost is \$2,080,111.00.

Dear Mr. Elrod:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need.

Please be advised that your application is now considered to be complete by this office. Your application is being forwarded to the Tennessee Department of Health and/or its representative for review.


In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 30-day review cycle for **CONSENT CALENDAR** for this project will begin on February 2, 2015. The first thirty (30) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the thirty (30)-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on March 25, 2014.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (2) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (3) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Melanie M. Hill".

Melanie M. Hill
Executive Director

cc: Trent Sansing, CON Director, Division of Health Statistics



State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243


www.tn.gov/hsda

Phone: 615-741-2364

Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: 
Melanie M. Hill
Executive Director

DATE: February 2, 2015

RE: Certificate of Need Application
Baby + Company Nashville -- CN1501-003
CONSENT CALENDAR

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a **CONSENT CALENDAR** thirty (30) day review period to begin on February 2, 2015 and end on March 2, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Dan H. Elrod, Esq.

ORIGINAL- SUPPLEMENTAL-1

Baby + Company-Nashville
CN1501-003

January 23, 2015
3:00pm

January 23, 2015

VIA HAND DELIVERY

Mark A. Farber
Deputy Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN1501-003
Baby + Company Nashville

Dear Mr. Farber:

Responses to the questions in your letter dated January 16, 2015, are below. Please let us know if you need additional information.

1. Section A, Item 6 (Legal Interest in Site)

A fully executed Option to Lease Agreement is noted. The final page of the agreement includes a signature by an individual who is listed as "EVP-Clinical". The landlord's signature includes the printed name, (J.D. Parks) title and the name of the company that Mr. Parks is representing. Please submit a revised Option to Lease Agreement which includes a signature by the Tenant along with the printed name and the company being represented.

Response: Attached as Attachment A is an updated Letter of Intent signed by both parties and including the title for Cara Osborne.

2. Section B, Project Description, Item I.

The current CON is for 4,350 square feet and the proposed project is for 7,800 square feet. The number of birthing suites and examination rooms could potentially be the same in the existing CON and the proposed project. What does the additional 3,450 square feet provide that was not provided at the original location.

*The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201*

DAN H. ELROD
615.651.6702
dan.elrod@butlersnow.com

T 615.651.6700
F 615.651.6701
www.butlersnow.com

Response: The proposed new site provides a larger space for all of the applicant's key functional areas. It also offers more circulation space and an outside patio area where families may congregate. The table attached as Attachment B provides a room-by-room comparison to the original site.

The applicant believes the larger space at the new location is a superior option because (1) space in certain functional areas, such as classrooms and exam rooms, would have been less than optimal in the original location; and (2) a larger circulation area and more spacious environment will better serve patients and their families.

What is the average length of stay (in hours) for a birthing center patient? Does the patient spend the entire time in the birthing suite? Please explain a typical birthing process within a birthing center.

Response: A typical birth is attended by two clinicians: a Certified Nurse Midwife (CNM) and a nurse. Occasionally a second CNM will assist in place of a nurse. No anesthesiologists are members of the team. A woman labors and gives birth at the center. The CNM provides continuous labor support and intermittent auscultation. Women are offered a variety of pharmacologic and non-pharmacologic comfort measures. Immediately after delivery the CNM completes an assessment of the mother's vital signs and screens for peripheral blood clots and does a complete physical exam of the newborn including: screening for congenital heart defects, gestational age assessment, and assessment of vital signs. The CNM ensures that the mother is healthy, the baby is breastfeeding and that the family has what it needs to go home.

The family is discharged 6-12 hours after delivery. CNMs do a phone consultation within 24 hours of discharge and an at home visit within 48 hours. During the home visit the CNM does a complete physical exam of both the mother and the baby which includes: neonatal metabolic screening, weight check, and screening for jaundice. The patient does a follow-up visit with their pediatrician at 72 hours and then regularly thereafter. A phone or video consult is conducted with the mother at 1 week post-delivery and another one at 2 weeks, and the mother will visit the CNM practice 6 weeks postpartum.

Please describe the members of the clinical team that typically attend a birth. Is an anesthesiologist or CRNA typically a member of the team? Please explain.

Response: As described above, a typical birth is attended by two clinicians: a Certified Nurse Midwife (CNM) and a nurse. Occasionally a second CNM will assist in place of a nurse. No anesthesiologists are members of the team.

What is the difference in distance to VUMC from the original site and the proposed site?

Response: The difference in distance from the original site to VUMC and the proposed site to VUMC is 0.6 miles. The distance to VUMC from the original site is 0.8 miles (approximately 3 minutes driving time); the distance to VUMC from the proposed site is 1.4 miles (approximately 5 minutes driving time).

Please explain how the parking is better at the proposed site vs. the current approved site.

Response: The proposed facility has 17 covered parking spaces. This will allow the applicant to ensure the safety and comfort of its patients, regardless of the weather. Seventeen spaces should be more than adequate. There are also additional parking resources on site – one outside parking lot and one underground parking lot. At the original site, the applicant theoretically had access to 20 parking spaces; however, as discussions progressed with the landlord, the applicant learned that only 7-10 of these spaces would be dedicated to Baby+ Company. The remainder of the spaces were shared parking with the neighboring restaurant. The applicant was concerned that during its busy times and the restaurant's busy times, it would run into parking constraints, which would then force patients to park across the street. This would create convenience and safety concerns for patients.

The original application proposed 5 birthing suites while this application proposed 4 birthing suites with the potential to add a fifth. Please discuss the change in thinking where the applicant now believes that 4 birthing suites will be adequate with which to begin.

Response: In the course of further evaluating the market and of detailed planning for the facility, the applicant concluded it would be beneficial to devote more resources to community education initially, to introduce and better inform the community about the birthing center option. This conclusion led to the decision to expand classroom space in the introductory stages of the project, with the expectation that the additional classroom will convert to a fifth birthing suite when demand for service justifies the conversion.

Given that women register for care 6 plus months before they deliver, the applicant has enough visibility into its birth pipeline to provide the construction time needed to convert the space from a classroom into a fifth birthing suite.

3. Section B, Project Description, Item III.A.

The plot plan identifies Park Drive, Acklen Park Drive, and Hillcrest Place; however West End Avenue is not identified. Please explain.

Response: The address of the proposed site is on West End Avenue; however, as seen on the plot plan, Hillcrest Place, a service road, lies between West End and the proposed site. The proposed site is still very accessible and visible from West End and the Google map directions provided with the application accounts for the distance from the physical location of the proposed site to VUMC, which is approximately 1.4 miles, or approximately 5 minutes driving time.

4. Section B, Project Description, Item IV.

Which labeled room is the kitchen?

Response: The kitchen is labeled as the "Family and Kitchen Area" in Attachment B, IV to the application, which we have reattached as Attachment C.

5. Section C, Need, Item 1, (Change of Site)

Previous to this section the applicant indicated that the change of site was due to more space and better parking. In response to this criterion the applicant mentions the unavailability of the original site. Please explain.

Response: The reference in this section to the unavailability of the site was an error. A revised page 12 is attached as Attachment D.

6. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

Please explain in more detail the need to increase gross charges to \$9,000 per patient. By applying the net operating revenue in the original application to the operating expenses in the proposed application, the result is a net operating loss of \$44,218 in 2016, which is not atypical for a first year of operation, increasing to a net operating income of \$459,235 in 2017.

Response: Based on additional operational experience since filing the original application, the applicant's affiliate facilities have revised the global charge for a birth to \$9,000. In the case of the Nashville project, the operational expenses for the project have increased from the original application, mainly due to a better understanding of pass-through cost of employee benefits for professional staff provided by VUMC, the addition of an Outreach Coordinator, costs to employ quality full-time and part-time nurses in the Nashville market, and the cost for employed staff salaries including payment for call schedules. In year 2 of the projected data chart, the expenses per case projected in the current application are approximately \$572 more than projected in the initial application, whereas the net revenue per case is projected to increase by approximately \$431 per case. In any event, the applicant's global charges and net revenue per case are significantly less than hospital-based maternity care.

Please explain why Vanderbilt professional and clinical management fees in 2016 have increased by \$142,769 when comparing the original application to the proposed application.

Response: In the applicant's first application, it underestimated the Vanderbilt benefits overhead rate. As negotiations with Vanderbilt have progressed, the applicant now has a clearer understanding of the cost of Vanderbilt's benefits that will be passed through to the applicant.

7. Section C, Economic Feasibility, Item 9

Your response to this item is noted. Please complete the following chart.

**January 23, 2015
3:00pm**

Projected Service Payor Mix

Payor Source	Year 1 Applicant's Project Gross Revenue	Year 1 Gross Revenue by Payor Source as a % of Total
Medicare	0	0
TennCare	\$1,002,282	30%
Managed Care/Commercial	\$1,536,833	46%
Self-Pay	\$367,504	11%
Other (Charity/Bad Debt)	\$434,322	13%
Total	\$3,340,941	

Response: In the course of responding to the question, the applicant realized that incorrect gross revenue numbers for TennCare were included in the response to item 8 on pages 23 and 24. Revised pages 23 and 24 are attached as Attachment E.

8. Section C, Economic Feasibility, Item 10

Please discuss the Maternity Centers of America's financial position as its unaudited financial statements reported a net operating loss of \$1,107,890 on August 31, 2014.

Response: It is understood and anticipated that Maternity Centers of America (MCA) will not be profitable until the individual centers collectively generate enough profit to also support the organization's corporate costs. Fortress Equity Partners (A) LP (FEP), MCA's sole owner, has already invested \$4.7 million into MCA and has a vested interest in continuing to support centers requiring working capital support during this growth period. FEP has a strong capital base to fund the success of these sites and the organization as a whole.

9. Project Completion Forecast Chart

The chart provided lists the projected Initial Decision date as 9/24/2014. The proposed project will not be heard any sooner than March 25, 2015. Please submit a revised Project Completion Forecast Chart.

Response: A revised Project Completion Forecast Chart, page 30, is attached as Attachment F.

Very truly yours,

BUTLER SNOW LLP


Dan H. Elrod

AFFIDAVIT

**January 23, 2015
3:00pm**

STATE OF TENNESSEE

COUNTY OF Davidson

NAME OF FACILITY: Baby + Company Nashville

I, Dan H Elrod, after first being duly sworn, state under oath that I am the attorney for the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

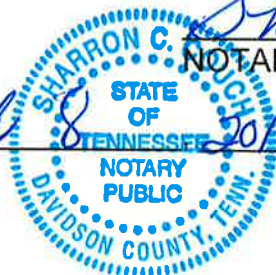
Dan H Elrod
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 23 day of Jan, 2015, witness my hand at office in the County of Davidson, State of Tennessee.

Sharron C. Couch
NOTARY PUBLIC

My commission expires

March 8, 2016



HF-0043

Revised 7/02

My Commission Expires MAR. 8, 2016

**January 23, 2015
3:00pm**

ATTACHMENT A

January 23, 2015
3:00pm

December 18, 2014

VIA email: j.d.parks215@gmail.com

Re: Lease Proposal for former Outback Space at 3212 West End Ave, Nashville, TN 37203

Dear JT:

Thank you for your time. Please find indicative terms per our discussion.

Tenant: A limited liability company organized under the laws of the State of Delaware and affiliated with Maternity Centers of America LLC

Landlord: De Montbrunpark Holdings, LLC

Premises: A \pm 7,800 sq. ft. office suite located on the ground floor of 3212 West End Ave Nashville, TN 37203. The parties agree that the part of the Premises which is a porch is \pm 1,200 sq. ft

Tenant's Proposed Use: Natural Birthing Center

Lease Terms: Five years

Lease Commencement Date: Upon Full Lease Execution

Rent Commencement Date: July 1, 2015

Landlord shall ensure that Tenant shall have access to the Premises on or prior to March 1, 2015, and that by such time the Premises shall be a "white box" with the following characteristics:

- All interior demise walls shall have been removed;
- All electrical circuits (with the exception of minimal lighting circuits identified by the Tenant) shall have been removed up to their respective circuit breaker, all domestic water piping shall have been removed back to the main shut-off valve for the Premises, sanitary sewer lines shall have been removed and the respective floor penetrations patched, and all natural gas lines shall have been removed back to the main shut-off valve to the Premises; All ceiling tile and grid shall have been

January 23, 2015
3:00pm

removed;

- There shall be only limited lighting;
- All existing floor covering shall have been removed;
- HVAC -- main trunk lines and thermostat shall remain;
- All electrical panels complete with breakers shall remain; and
- All furniture, fixtures, and equipment shall have been removed and the abandoned grease trap shall have been decommissioned, sanitized, and plugged.

Lease Expiration Date:	60 months from the date of Rent Commencement
Certificate of Need:	Tenant has already received a certificate of need from the Tennessee Health Services and Development Agency (the "Agency") for a different address, and shall be required to obtain an updated certificate of need for the address of the Premises. Tenant shall file its certificate of need application with the Agency on or prior to January 15, 2015. Tenant shall be allowed to terminate the Lease if it does not receive a certificate of need from the Agency for the Premises on or prior to June 30, 2015, and if Tenant so terminates then Landlord shall be entitled to retain the security deposit and shall promptly return to Tenant all other payments made to the Landlord
Lease Rate:	\$23.00 psf, with 2.5% annual escalations in the rent.
Common Area Maintenance:	Tenant shall be responsible for its pro-rata share of any increase in common area maintenance over the base year 2015. Increases in Controllable expenses shall be capped at 4% annually
Renewal Options:	Tenant shall have the right to two five-year options at the rent provided for in the Lease by giving 6 months' notice
Security Deposit:	Tenant shall pay a security deposit equivalent to the first month's rent and shall pay the first month's rent upon Lease execution.
Condition of Premises:	As-Is, subject to the requirements set forth in the last paragraph of the section hereof entitled "Rent Commencement Date"
Utilities & Janitorial:	To be the responsibility of the Tenant
Parking:	Tenant shall have exclusive use of 17 marked spaces on the 1 st Floor parking deck opening to Acklen Park Drive. Tenant shall have non-exclusive use of all unreserved spaces, as they exist now or in the future, in the lower parking garage opening onto Park Drive, between the hours of 5 PM and 7 AM seven days per week, up to 30 unreserved spaces in the lower parking deck between 7 AM and 8 AM seven days per week, and between 8 AM Saturdays and 7 AM Mondays
Signage:	Tenant shall have similar signage rights to those given to the

January 23, 2015
3:00pm

previous tenant for the Premises. Furthermore, Tenant shall have additional rights to place signage above the Acklen Park Drive parking deck entrance, in the location of an existing lit box sign.

Tenant Improvements:

Landlord shall have the privilege to review and approve Tenant's plans and specifications, provided that Landlord shall not unreasonably withhold or delay such consent. Tenant agrees to accommodate the existing mechanical systems of the building, the existing clear elevation heights in parking areas, to make no structural changes to the building, and to obtain Landlord/ Owner's consent prior to making any change to any exterior surface adjacent to the Tenant's Premises.

Other Provisions:

None

Broker:

Chas. Hawkins Co., Inc. represents the Landlord in this transaction and CB Richard Ellis represents the Tenant and shall be paid a leasing fee as agreed upon by a separate written agreement with the Landlord. Each of Landlord and Tenant warrants to the other that no other broker other than Chas. Hawkins Co., Inc. or CB Richard Ellis is involved in this proposed transaction

This document is intended to provide a basis for understanding and negotiation. This proposal is non-binding on any party until a fully executed lease agreement is completed, and only a fully executed lease agreement shall constitute a lease for the Premises.

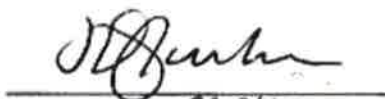
Sincerely,


Name: Cara Osborne

Title: Executive Vice President — Clinical
Baby+Company Nashville 1 LLC

Agreed and Accepted as of the date above:

De Montbrunpark Holdings, LLC


Name: J.D. PARKS
Title: CHIEF MGR

**January 23, 2015
3:00pm**

ATTACHMENT B

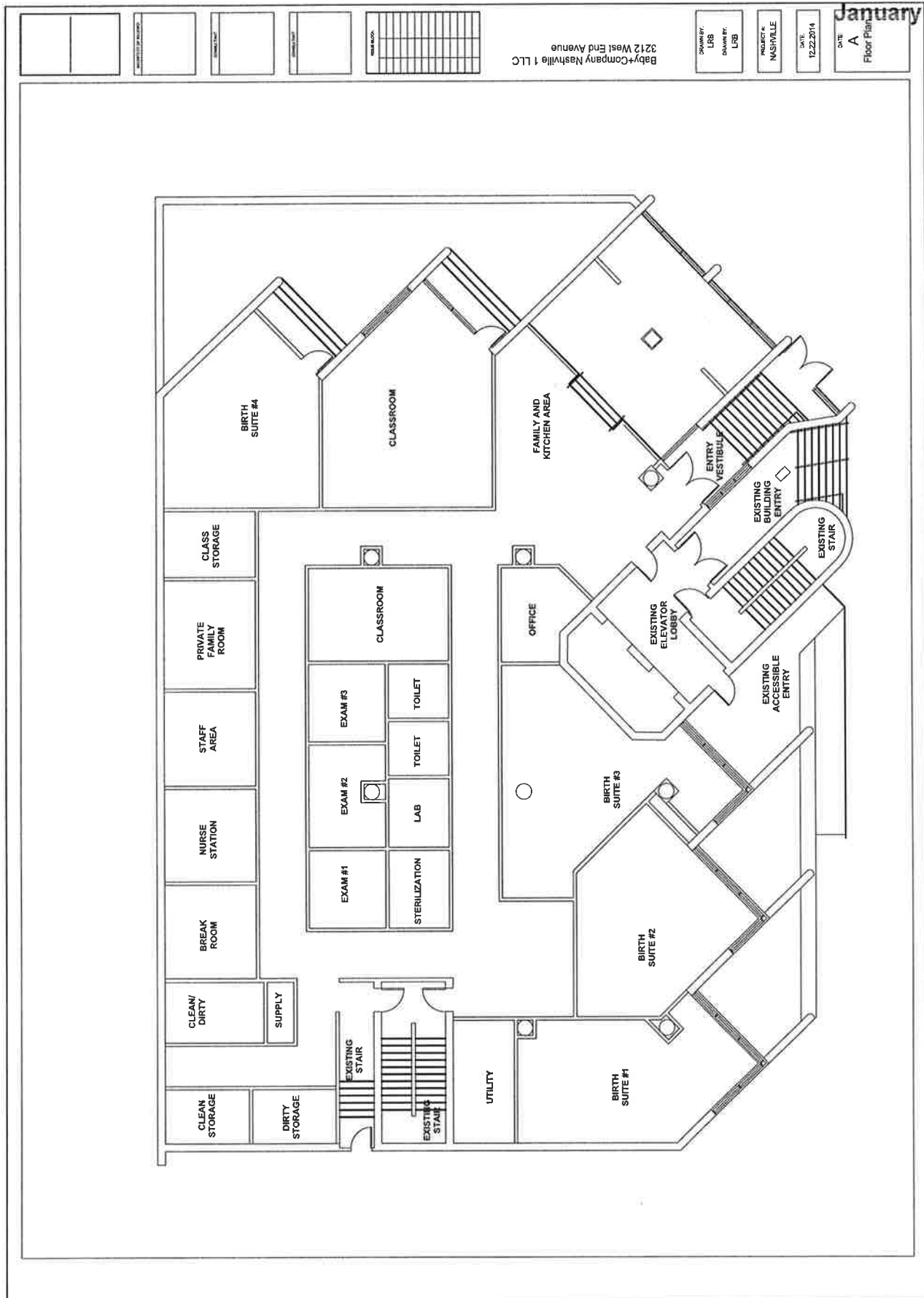
SUPPLEMENTAL- 1**January 23, 2015
3:00pm**

<u>A. Unit/Department</u>	<u>Original Sq. Ft (net)</u>	<u>New Sq. Ft (net)</u>	<u>Difference Sq. Ft</u>
Birth Rooms	1,568 (5 rooms)	1,766 (4 rooms)	198
Public Restrooms	90	112	22
Family Room/Kitchen	290	875	585
Pharmacy/Lab	130	155	25
Nurses Station/Office	207	693	486
Classroom	275 (1 room)	744 (2 rooms)	469
Storage	78	249	171
Exam Rooms	297	324	27
Patio		700	700
Utility Space	316	252	-64
Net Total	3,251	5,870	2,619
B. Unit/Depart. GSF			
Sub Total	4,553		
C. Mechanical/ Electrical GSF			
D. Circualtion	1,099	1930	831
<u>E. Total GSF</u>	<u>4,350</u>	<u>7,800</u>	3,450

**January 23, 2015
3:00pm**

ATTACHMENT C

January 23, 2015
3:00pm



**January 23, 2015
3:00pm**

ATTACHMENT D

- c. Applications that include a Change of Site for a proposed new health care institution (one having an outstanding and unimplemented CON), provide a response to General Criterion and Standards (4)(a-c) of the Guidelines for Growth. January 23, 2015
3:00pm

Responses to the criteria in the Guidelines for Growth applicable to Change of Site are as follows:

- a) *Need*. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

Response: The service area for the facility will remain Davidson County, and the applicant continues to expect that at least 80% of its patients will be Davidson County patients. Similar to the previously approved site, the proposed new site is located on a major thoroughfare that is serviced by a Nashville Metro Transit Authority bus route that stops near the location approximately every 20 minutes. As a result of its location on a major thoroughfare, the proposed site will be very accessible to patients and clients. The proposed new site is just as convenient to Vanderbilt University and Interstate 440 as the original site.

The need to relocate is a result of the applicant's realization that the proposed new site offers a more spacious environment as well as substantially better parking for patients and their families.

- b) *Economic factors*. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

Response: The proposed new site will be similarly economically beneficial to the population to be served as the original site. As demonstrated elsewhere in the application, the birthing center model is a cost-effective alternative to hospital-based care for low-risk mothers. The average charge for low-risk delivers in 2012 at the Nashville hospitals for which the Department of Health has data was \$11,687, and these charges do not include the professional services as noted above. The applicant's global charge for all services is projected to be \$9,000. The global charge projected in the application is greater than the \$7,500 global charge projected in the original application. The projected increase in charges is due to the applicant's experience with its other facilities and a recognition that staff costs, including benefits, will be higher than originally anticipated. A global charge of \$9,000 remains substantially less than hospital-based charges, particularly when professional fees are taken into account.

- c) *Contribution to the Orderly Development of Health Care Facilities and/or Services*. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

Response: The only known delay at this time is that resulting from the change in location of the Birthing Center. The original site's timeline for completion had a completion date of April 2015; whereas, the new site's timeline for completion has a completion date of October 2015. The only other potential delay at this time would be delays resulting from negotiations with the landlord of the proposed new site.

**January 23, 2015
3:00pm**

ATTACHMENT E

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response: The applicant's projected charge for a labor and delivery case will be \$9,000, which will cover all services provided in connection with a delivery.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: The only source that the applicant has been able to identify for obstetrical charges is the 2012 Tennessee Hospital Discharge Data Report created by the Tennessee Department of Health. This report shows charge data for various DRGs classified by severity under the categories of "minor", "moderate" and "major". In the case of Vaginal Delivery (DRG 560), the applicant believes the category of "minor" includes the low-risk birth cases that it will serve. The charge data from the Report for Nashville hospitals for DRG 560 in the minor category are as follows:

Nashville General - \$5,836

St. Thomas Midtown - \$12,885

Vanderbilt University Hospital - \$10,548

TriStar Centennial Medical Center - \$16,188

TriStar Summit Medical Center - \$12,976

The applicant's proposed global charge for a delivery is \$9,000. It should be noted that this is global charge, including services provided in connection with a delivery. The hospital charges do not include professional charges or newborn charges. As noted above, in 2010, the national average of charges for physician services related to a vaginal delivery was \$8,414. Professional charges are included in the applicant's proposed global charge of \$9,000.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness; how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: As indicated in the Projected Data Chart, the project will achieve positive financial results in the first full year, and the applicant has the resources to sustain the facility until results are positive.

8. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response: The facility will use its best efforts to contract with all TennCare MCOs serving Middle Tennessee. The projected TennCare gross revenue in year 1 is \$1,002,282 and in

year 2, \$1,404,160. In light of the services to be provided, the facility will not serve Medicare patients.

January 23, 2015
3:00pm

The applicant expects the payor mix for both years to be as follows:

*TennCare – 30%
Commercial Insurance – 46%
Self-pay – 11%
Charity/Bad Debt – 13%*

The applicant expects the growth in year 2 to be essentially spread evenly across all payor categories.

9. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-9.

Response: The applicant has just been created and has no financial history. Maternity Centers of America does not have an audited financial statement, but its balance sheet and income statement as of August 31, 2014, is at Attachment C, Economic Feasibility -9.

The applicant has also provided in Attachment C, Economic Feasibility -9 an unaudited balance sheet as of November 30, 2014 of its private equity investor, Fortress Equity Partners, which is an investment fund, managed by an affiliate of Fortress Investment Group LLC, a large, publicly traded asset management firm with substantial assets. FEP does not prepare any public financial statements; however, in addition to the unaudited statement, applicant has provided under Attachment C, Economic Feasibility -9 an excerpt from the 2013 audited financial statement for Fortress Investment Group LLC, set forth in its 10k filing with the Securities and Exchange Commission.

10. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response: There is no alternative to provide the benefits of a birthing center other than to establish such a facility as proposed by this application.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: The use of leased space for the project is the most cost-effective alternative for a birthing center in close proximity to VUMC, which the applicant believes is advantageous. The collaboration with VUMC with regard to midwife staffing and medical

**January 23, 2015
3:00pm**

ATTACHMENT F

January 23, 2015
3:00pm

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c):
3/25/2015

Assuming the CON approval becomes the final agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

Agency projected Initial Decision date, as published in T.C.A. 68-11-1609

Phase	Days Required	Anticipated Date (Month/Year)
1. Architectural and engineering contract signed	30	Apr-15
2. Construction documents approved by the Tennessee Depart of Health	60	Apr-15
3. Construction contract signed	60	May-15
4. Building permit secured	90	Jun-15
5. Site preparation completed	90	Jun-15
6. Building construction commenced	90	Jul-15
7. Construction 40% complete	120	Aug-15
8. Construction 80% complete	150	Aug-15
9. Construction 100% complete (approved for occupancy)	180	Sep-15
10. *Issuance of license	180	Sep-15
11. *Issuance of service	180	Sep-15
12. Final Architectural Certification of Payment	210	Oct-15
13. Final Project Report Form (HF0055)	210	Oct-15

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

Supplemental #2 -Original-

BABY + Company Nashville

CN1501-003

January 29, 2015

VIA HAND DELIVERY

Mark Farber
Deputy Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application CN1501-003
Baby + Company Nashville

Dear Mr. Farber:

Response to the question in your letter dated January 27, 2015, is below. Please let us know if you need additional information.

1. Section C, Economic Feasibility, Item 10

Please discuss in more detail the relationship between Fortress Equity Partners (A), LP and Fortress Investment Group, LLC.

Response: Fortress Investment Group LLC has a long standing track record of managing investment funds which in turn own, fund and build a variety of businesses. Fortress has created one such fund, Fortress Equity Partners (A) LP to support the growth of a small number of companies, a primary one being Maternity Centers of America ("MCA"), the applicant's parent. As of November 30, 2014, Fortress Equity Partners (A) LP had \$71.7M of net assets on its balance sheet. It has already invested nearly \$5M of capital with MCA, and it is projected to invest another \$10M in 2015. It has a vested interest in seeing MCA succeed and it has more than enough capital to support MCA's growth, including the proposed Baby + Company birthing center in Nashville.

If for some reason Fortress Equity Partners (A), LP did not have the funds to support the proposed project, would Fortress Investment Group, LLC then provide the funds?

*The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201*

DAN H. ELROD
615.651.6702
dan.elrod@butlersnow.com

T 615.651.6700
F 615.651.6701
www.butlersnow.com

Response: Fortress Investment Group LLC has no legal obligation to contribute capital to Fortress Equity Partners (A) LP. As explained above, Fortress Equity Partners (A) LP currently has more than adequate capital to support the development and operations of the applicant and other MCA birthing centers. The financial projections for Baby + Company Nashville 1, LLC are solid, based on conservative demand projections, particularly considering the birthing center option does not currently exist in the Nashville service area. Other MCA centers have similarly strong economics and are expected to be profitable within 12-18 months of opening. MCA's two existing centers are projected to break-even mid-2015

Very truly yours,

BUTLER SNOW LLP



Dan H. Elrod

clw

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DavidsonNAME OF FACILITY: Baby + Company

I, Dan H Elrod, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

[Signature]
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 29th day of Jan., 2015,
witness my hand at office in the County of Davidson, State of Tennessee.

Sharon C. Couch
NOTARY PUBLIC

My commission expires 3-8-2016

HF-0043

Revised 7/02



My Commission Expires MAR. 8, 2016



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax:615/741-9884

January 16, 2015

Dan Elrod, Attorney
Butler Snow LLP
150 3rd Avenue South
Suite 1600
Nashville, Tennessee 37201

RE: Certificate of Need Application CN1501-003
Baby + Company Nashville

Dear Mr. Elrod:

This will acknowledge our January 15, 2015 receipt of your application for a Certificate of Need for the relocation of an approved but unimplemented CON (CN1406-022) for a birthing center from leased space at 2106 21st Avenue, Nashville (Davidson County) to leased space at 3212 West End Avenue, Nashville (Davidson County). The facility will include 4 birthing suites, 3 examination rooms and various support areas in approximately 7,800 square feet.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 p.m. on Friday, January 23, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section A, Item 6 (Legal Interest in Site)

A fully executed Option to Lease Agreement is noted. The final page of the agreement includes a signature by an individual who is listed as "EVP-Clinical". The landlord's signature includes the printed name, (J.D. Parks) title and the name of the company that Mr. Parks is representing. Please submit a revised Option to Lease Agreement which includes a signature by the Tenant along with the printed name and the company being represented.

2. Section B, Project Description, Item I.

The current CON is for 4,350 square feet and the proposed project is for 7,800 square feet. The number of birthing suites and examination rooms could potentially be the same in the existing CON and the proposed project. What does the additional 3,450 square feet provide that was not provided at the original location.

What is the average length of stay (in hours) for a birthing center patient? Does the patient spend the entire time in the birthing suite? Please explain a typical birthing process within a birthing center.

Please describe the members of the clinical team that typically attend a birth. Is an anesthesiologist or CRNA typically a member of the team? Please explain.

What is the difference in distance to VUMC from the original site and the proposed site?

Please explain how the parking is better at the proposed site vs. the current approved site.

The original application proposed 5 birthing suites while this application proposed 4 birthing suites with the potential to add a fifth. Please discuss the change in thinking where the applicant now believes that 4 birthing suites will be adequate with which to begin.

3. Section B, Project Description, Item III.A.

The plot plan identifies Park Drive, Acklen Park Drive, and Hillcrest Place; however West End Avenue is not identified. Please explain.

4. Section B, Project Description, Item IV.

Which labeled room is the kitchen?

5. Section C, Need, Item 1, (Change of Site)

Previous to this section the applicant indicated that the change of site was due to more space and better parking. In response to this criterion the applicant mentions the unavailability of the original site. Please explain.

6. Section C, Economic Feasibility, Item 4 (Projected Data Chart)

Please explain in more detail the need to increase gross charges to \$9,000 per patient. By applying the net operating revenue in the original application to the operating expenses in the proposed application, the result is a net operating loss of \$44,218 in 2016, which is not atypical for a first year of operation, increasing to a net operating income of \$459,235 in 2017.

Please explain why Vanderbilt professional and clinical management fees in 2016 have increased by \$142,769 when comparing the original application to the proposed application.

7. Section C, Economic Feasibility, Item 9

Your response to this item is noted. Please complete the following chart.

Projected Service Payor Mix		
Payor Source	Year 1 Applicant's Projected Gross Revenue	Year 1 Gross Revenue by Payor Source as a % of total
Medicare		
TennCare		
Managed care/Commercial		
Self-Pay		
Other		
Total		

8. Section C, Economic Feasibility, Item 10

Please discuss the Maternity Centers of America's financial position as its unaudited financial statements reported a net operating loss of \$1,107,890 on August 31, 2014.

9. Project Completion Forecast Chart

The chart provided lists the projected Initial Decision date as 9/24/2014. The proposed project will not be heard any sooner than March 25, 2015. Please submit a revised Project Completion Forecast Chart.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void."

For this application the sixtieth (60th) day after written notification is March 17, 2015. If this application is not deemed complete by this date, the application will be deemed void.

Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please contact this office.

Sincerely,



Mark A. Farber
Deputy Director

MAF
Enclosure



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax:615/741-9884

January 26, 2015

Dan Elrod, Attorney
Butler Snow LLP
150 3rd Avenue South
Suite 1600
Nashville, Tennessee 37201

RE: Certificate of Need Application CN1501-003
Baby + Company Nashville

Dear Mr. Elrod:

This will acknowledge our January 23, 2015 receipt of supplemental information to your application for a Certificate of Need for the relocation of an approved but unimplemented CON (CN1406-022) for a birthing center from leased space at 2106 21st Avenue, Nashville (Davidson County) to leased space at 3212 West End Avenue, Nashville (Davidson County). The facility will include 4 birthing suites, 3 examination rooms and various support areas in approximately 7,800 square feet.

One item was found which need clarification or additional discussion. Please review the questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 noon on Thursday, January 29, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section C, Economic Feasibility, Item 10

Please discuss in more detail the relationship between Fortress Equity Partners (A), LP and Fortress Investment Group, LLC.

If for some reason Fortress Equity Partners (A), LP did not have the funds to support the proposed project, would Fortress Investment Group, LLC then provide the funds?

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void."

For this application the sixtieth (60th) day after written notification is March 17, 2015. If this application is not deemed complete by this date, the application will be deemed void.

Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please contact this office.

Sincerely,



Mark A. Farber
Deputy Director

MAF
Enclosure